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No. ____

IN THE

Supreme Court of the United States

OCTOBER TERM, 1983

PACEMAKER DIAGNOSTIC CLINIC OF AMERICA, INC., a corporation,

Petitioner,

v.

INSTROMEDIX, INC., a corporation, and THE UNITED STATES,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

Pacemaker Diagnostic Clinic of America, Inc.
Petitioner

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QUESTION PRESENTED FOR REVIEW

Is 28 U.S.C. § 636(c), which provides that magistrates lacking the essential attributes of an Article III judge may conduct civil trials and enter judgments, constitutional?

PARTIES TO THE PROCEEDING BELOW

The parties to the proceeding in the court whose judgment is sought to be reviewed are:

Plaintiff-Appellant, Cross-Appellee, is Pacemaker Diagnostic Clinic of America, Inc.

Defendant-Appellee, Cross-Appellant, is Instromedix, Inc.

Intervenor is the United States.

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Petitioner, Pacemaker Diagnostic Clinic of America, Inc., prays that a writ of certiorari issue to review the judgment and opinion of the United States Court of Appeals for the Ninth Circuit *(en banc)* entered February 16, 1984.

REPORT OF OPINIONS

On March 5, 1982 the Honorable George E. Juba, United States Magistrate, entered judgment in the name of the United States District Court for the District of Oregon holding United States Patent No. 3,885,552 valid but not infringed. That judgment and opinion is not published (reproduced in the appendix to this petition, page 53a. An appeal was filed as to the infringement holding

and a cross-appeal filed with respect to the holding of validity. On appeal, the Ninth Circuit, *sua sponte*, raised the issue of the constitutionality of 28 U.S.C. 636(c) of the Magistrates Act, which empowers magistrates to try civil cases and enter judgments. On August 5, 1983 the Ninth Circuit held 28 U.S.C. 636(c) of the Magistrates Act to be unconstitutional, *Pacemaker Diagnostic Clinic of America, Inc.* v. *Instromedix, Inc.*, 712 F.2d 1305 (9th Cir. 1983) (reproduced in the appendix to this petition, page 35a. The United States filed a Motion to intervene, which was granted on September 29, 1983. Rehearing *en banc* was granted and the Ninth Circuit, *en banc*, on February 16, 1984 reversed the original panel, remanding the patent issues to the original panel for decision. *Pacemaker Diagnostic Clinic of America, Inc.* v. *Instromedix, Inc.*, 725 F.2d 537 (9th Cir. 1984) (reproduced in the appendix to this petition, page 4a). On remand, the original panel, on May 4, 1984, affirmed-in-part and reversed-in-part the Magistrate's judgment, in an unpublished memorandum opinion (reproduced in the appendix to this petition, page 1a).

JURISDICTION

The date of the Ninth Circuit decree or judgment sought to be reviewed is February 16, 1984. The jurisdiction of this Court to review the judgment or decree is founded on 28 U.S.C. 2101(c) and 28 U.S.C. 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

U.S. Constitution, Article III, Section 1 provides:

> The judicial Power of the United States, shall be vested in one supreme Court, and in such inferior Courts as the Congress may from time to time ordain and establish. The Judges, both of the supreme and

inferior Courts, shall hold their Offices during good Behaviour, and shall, at stated Times, receive for their Services, a Compensation, which shall not be diminished during their Continuance in Office.

28 U.S.C. 636(c)(1) through (3) provide:

(c) Notwithstanding any provision of law to the contrary

(1) Upon the consent of the parties a full time United States magistrate or a part-time United States magistrate who serves as a full-time judicial officer may conduct any or all proceedings in a jury or nonjury civil matter and order the entry of judgment in the case, when specially designated to exercise such jurisdiction by the district court or courts he serves. Upon the consent of the parties, pursuant to their specific written request, any other part-time magistrate may exercise such jurisdiction, if such magistrate meets the bar membership requirements set forth in section 631(b)(1) and the chief judge of the district court certifies that a full-time magistrate is not reasonably available in accordance with guidelines established by the judicial council of the circuit. When there is more than one judge of a district court, designation under this paragraph shall be by the concurrence of a majority of all the judges of such district court, and when there is no such concurrence, then by the chief judge.

(2) If a magistrate is designated to exercise civil jurisdiction under paragraph (1) of this subsection, the clerk of court shall, at the time the action is filed, notify the parties of their right to consent to the exercise of such jurisdiction. The decision of the parties shall be communicated to the clerk of court. Thereafter, neither the district

judge nor the magistrate shall attempt to persuade or induce any party to consent to reference of any civil matter to a magistrate. Rules of court for the reference of civil matters to magistrates shall include procedures to protect the voluntariness of the parties' consent.

(3) Upon entry of judgment in any case referred under paragraph (1) of this subsection, an aggrieved party may appeal directly to the appropriate United States court of appeals from the judgment of the magistrate in the same manner as an appeal from any other judgment of a district court. In this circumstance, the consent of the parties allows a magistrate designated to exercise civil jurisdiction under paragraph (1) of this subsection to direct the entry of a judgment of the district court in accordance with the Federal Rules of Civil Procedure. Nothing in this paragraph shall be construed as a limitation of any party's right to seek review by the Supreme Court of the United States.

STATEMENT OF THE CASE

This case began as a patent infringement action in which Pacemaker Diagnostic Clinic of America, Inc. (hereafter Pacemaker) charged Instromedix, Inc. (hereafter Instromedix) with infringement of United States Patent No. 3,885,552. The action was filed in the United States District Court for the District of Oregon, with jurisdiction founded on 28 U.S.C. 1338(a). Instromedix counterclaimed for a declaratory judgment that the patent was invalid.

The parties consented to a trial by a magistrate under 28 U.S.C. 636(c). On March 5, 1982, the magistrate, in an unpublished opinion (Appendix 53a), entered judgment

that there was no infringement but that U.S. Patent No. 3,885,552 was valid. Pacemaker filed an appeal as to the non-infringement holding, and Instromedix filed a cross appeal as to the validity holding.

Shortly before oral hearing on the appeals, the Ninth Circuit, *sua sponte*, raised the issue of whether it was constitutional for a magistrate, who was not an Article III judge, to conduct a trial and enter judgment in a civil case under 28 U.S.C. 636(c). That issue was argued and supplemental briefs (including an *amicus* brief filed by the United States) were received. The Ninth Circuit on August 5, 1983, rendered an opinion that 28 U.S.C. 636(c) was unconstitutional, and ordered the case remanded to the district court for *de novo* review by a district court judge under 28 U.S.C. 636(b), (712 F.2d 1305).

The United States moved to intervene for the purpose of seeking rehearing, and sought rehearing *en banc*. Instromedix also sought rehearing *en banc*. The United States motion to intervene was granted, as were the motions for rehearing *en banc*.

On rehearing, the Ninth Circuit on February 16, 1984, in a limited *en banc* panel reversed the three judge panel, holding 28 U.S.C. 636(c) to be constitutional, and remanding the patent issues to the original panel, (725 F.2d 537). On remand, the original panel in an unpublished memorandum opinion dated May 4, 1984, affirmed the judgment of non-infringement and reversed the portion of the judgment holding Pacemaker's patent valid.

REASONS FOR GRANTING THE WRIT

1. This Case Presents An Important Question Of Federal Law

In this case a federal court of appeals has decided an important question of federal law which has not been, but

should be, settled by this Court. Moreover, the decision of the United States Court of Appeals for the Ninth Circuit in this case has decided a federal question in a way which is in conflict with applicable decisions of this Court.

A Ninth Circuit panel, on August 5, 1983, held in this case that consensual delegation of powers to a magistrates to try civil cases and enter judgment, pursuant to 28 U.S.C. 636(c), was unconstitutional, (712 F.2d 1305). On rehearing, a limited eleven judge *en banc* panel of the Ninth Circuit reversed the original panel. (725 F.2d 537). Three judges dissented in the *en banc* opinion. Thus, *of the fourteen judges in the Ninth Circuit who have considered this issue, six favor a holding that section 636(c) is unconstitutional.* (The unanimous *Pacemaker* panel and the three dissents on the *en banc* panel.)

The issue of the constitutionality of 28 U.S.C. 636(c) is a question that should be decided by this Court, because it can be expected to continually arise.[1] While three other circuits, the First, Second and Third, have upheld the constitutionality of Section 636(c),[2] these decisions, and the *en banc* decision in *Pacemaker*, are in conflict with basic constitutional principles and with prior decisions of this Court, including *Crowell* v. *Benson*, 285 U.S. 22 (1932); *United States* v. *Raddatz*, 447 U.S. 667 (1980); and *Northern Pipeline Construction Co.* v. *Marathon Pipeline Co.*, 458 U.S. 50 (1982).

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[1] The constitutionality of 28 U.S.C. 636(c) has also been raised in a petition for certiorari No. 83-1684, *Bryner et al* v. *Security Pacific National Bank et al*, and in a petition for certiorari No. 83-1616, *Collins* v. *Foreman*.

[2] See *Wharton-Thomas* v. *United States*, 721 F.2d 922 (3rd Cir. 1983); *Collins* v. *Foreman*, 83-7938, 52 L.W. 2511 (2nd Cir. 2/22/84); *Goldstein* v. *Kelleher*, 728 F.2d 32 (1st Cir. 2/29/84).

Article III, Section 1, of the Constitution mandates that only persons having the attributes of an Article III judge—life tenure and protection against diminution of compensation—may exercise the judicial power of the United States. Magistrates do not have these attributes, but clearly are exercising the judicial power of the United States in trying civil cases and entering judgment under 28 U.S.C. 636(c).

2. Congress Has Continually Expanded The Powers Of A Magistrate To A Point Which Exceeds Permissible Limits Under The Constitution

The office of United States Magistrate was established by Congress in the Federal Magistrate Act of 1968.[3] Congress authorized the magistrates to perform such duties as administering oaths and the like previously performed by United States commissioners, and also conferred on magistrates in 28 U.S.C. 636(b) the authority to execute "such additional duties as are not inconsistent with the Constitution and laws of the United States." The 1968 Act was considered by the Seventh Circuit in *TPO, Inc.* v. *McMillen*, 460 F.2d 348 (7th Cir. 1972). The court found the powers of the magistrate under the 1968 Act to be limited to non-dispositive matters, and held the Act to be constitutional since the ultimate decision resided in the district court.

Congress soon expanded the duties and powers of United States Magistrates by amending the Federal Magistrate Act in 1976,[4] in effect removing various limita-

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[3] Federal Magistrate Act of 1968, Publ. L. No. 90-578, Title I, § 101, 82 Stat. 1108.

[4] Federal Magistrate Act Amendments of 1976, Publ. L. No. 94-577, 90 Stat. 2729 (amending 28 U.S.C. § 636(b)(1970).

tions on a magistrate's powers as construed by *TPO, Inc.*, v. *McMillen, supra.* In the 1976 Act, magistrates were expressly given the authority under section 636(b)(1)(A) to hear a variety of nondispositive motions and to determine the matter, subject to review by a judge of the court applying a clearly erroneous or contrary to law standard. Sections 636(b)(1)(B) and 636(b)(1)(C) also granted magistrates the authority to preside over a variety of pretrial matters and to generate proposed findings and recommendations, again with the proviso that a judge of the court would make a *de novo* determination of those portions of the magistrate's proposed findings and recommendations as to which objection is made.

In the 1976 Act, Congress also retained the provision in Section 636(b)(3) that "A magistrate may be assigned such additional duties as are not inconsistent with the Constitution and laws of the United States." Prior to 1979, this "additional duties" section of both the 1968 and 1976 Acts was relied upon to sanction referral of a complete trial to a magistrate, but with differing views as to what standard of review must be exercised by the district court with respect to the magistrate's determination. In *DeCosta* v. *CBS, Inc.*, 520 F.2d 499 (1st Cir. 1975), the court indicated that the appropriate standard of review of the magistrate's determination was the clearly erroneous or contrary to law standard. On the other hand, in *Muhich* v. *Allen*, 603 F.2d 1247 (7th Cir. 1979), and in *Calderon* v. *Waco Lighthouse for the Blind*, 630 F.2d 352 (5th Cir. 1980), the courts indicated that a *de novo* review of the magistrate's proposed findings and recommendations by the district court judge was required. See also *Aluminum Co. of America* v. *United States E.P.A.*, 663 F.2d 499 (4th Cir. 1981). In any event, it was quite clear that, where trials were conducted by magistrates, some review of the magistrate's findings and recommendations

by the district judge was required and that only the district judge could enter judgment. *Mathews* v. *Weber*, 423 U.S. 261 (1976); *Harding* v. *Kurco, Inc.*, 603 F.2d 813 (10th Cir. 1979); *Horton* v. *State St. Bank & Trust Co.*, 590 F.2d 403 (1st Cir. 1979); *McDonnell Douglas Corp.* v. *Commodore Business Machines, Inc.*, 656 F.2d 1309 (9th Cir. 1981).

A further expansion in the powers of a magistrate took place when Congress enacted the Magistrate Act of 1979.[5] The 1979 Magistrate's Act explicitly provides magistrates with case dispositive jurisdiction, including the power to enter judgment, upon consent of the parties in civil cases (28 U.S.C. § 636(c)). Since magistrates do not have the life tenure and undiminishable salaries as required under Article III, they are clearly not Article III judges.[6] Yet under the 1979 Act, such a magistrate can be vested by consent of the parties with full judicial power as a *complete substitute* for an Article III district court judge.

3. The Judicial Power Of The United States Must Be Exercised By Judges Having The Attributes Prescribed In Article III

In *Northern Pipeline Construction Co.* v. *Marathon Pipe Line*, 458 U.S. 50 (1982), this Court held the Bank-

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[5] Pub. L. No. 96-82, 93 Stat. 643 (1979) (codified at 28 U.S.C. §§ 631, 633, 636; 18 U.S.C. § 3401 (Supp. 1980)).

[6] Magistrates are appointed by a majority vote of the district court judges of each district to serve eight year terms (28 U.S.C. § 631(a)-(h)) and can be removed from office for "incompetency, misconduct, neglect of duty, or physical or mental disability." While the salary of a magistrate cannot be reduced during term of office below the salary fixed at the beginning of that term (28 U.S.C. § 634(b)), it is clear that Congress could change the statute at any time. See *Glidden Co.* v. *Zdanok*, 370 U.S. 530, 593 (1962) (dissenting opinion of Justice Douglas).

ruptcy Act of 1978 unconstitutional on the ground that the Act conferred Article III judicial power upon judges who lacked life tenure and protection against salary diminution. 28 U.S.C. 636(c) is unconstitutional for precisely the same reasons as the Bankruptcy Act of 1978.

Under the Constitution, the Federal Government consists of three distinct branches, each to exercise one of the inherently distinct governmental powers. In order to maintain the checks and balances of the constitutional structure, and to guarantee that the process of adjudication itself remains impartial, the federal judiciary was designed to stand independent of the executive and the legislative branches of government. Thus, this Court in *Northern Pipeline* concluded that Article III, Section 1 both defines the power and protects the independence of the judicial branch (458 U.S. at 58):

> "The inexorable command of this provision is clear and definite: The judicial power of the United States must be exercised by courts having the attributes prescribed in Art. III."

The decision notes two of those attributes: that Article III judges shall enjoy life tenure, subject only to removal by impeachment, *Toth* v. *Quarles*, 350 U.S. 11 (1955); and, that Article III judges are guaranteed a fixed and irreducible compensation for their services, *United States* v. *Will*, 449 U.S. 200 (1980). In the words of the Court in *Northern Pipeline* (458 U.S. at 59):

> "Both of these provisions were incorporated into the Constitution to ensure the independence of the judiciary from the control of the executive and legislative branches of Government."

As noted in *Northern Pipeline*, these constitutional provisions also serve other institutional values. The independence from political forces thus guaranteed helps to pro-

mote public confidence in judicial determinations. See The Federalist No. 78 (A. Hamilton). The security provided to members of the judicial branch helps to attract well qualified persons to the federal bench. Further, the guarantee of life tenure insulates the individual judges from improper influences not only by other branches of government, but by colleagues as well. Thus the constitutional provisions promote judicial individualism. For these reasons, this Court in *Northern Pipeline* concluded that the Constitution mandates an independent judiciary (458 U.S. at 60):

> "In sum, our Constitution unambiguously enunciates a fundamental principal—that the 'judicial Power of the United States' must be reposed in an independent Judiciary. It commands that the independence of the Judiciary be jealously guarded, and it provides clear institutional protections for that independence."

The Court found that the "bankruptcy judges" established by the 1978 Bankruptcy Act did not possess the Article III attributes of life tenure nor undiminishable compensation, and were thus clearly not Article III judges.

The Court then considered two grounds argued for upholding the Bankruptcy Act notwithstanding the broad adjudicative powers conferred upon the non-Article III bankruptcy judges. First, it was urged that pursuant to its enumerated Article I powers, Congress may establish legislative courts that have jurisidiction to decide cases to which the Article III judicial power of the United States extends, and, pursuant to any of its Article I powers, Congress could create courts free of Article III's requirements whenever it found that course expedient. The Court rejected this argument (458 U.S. at 73):

> "The flaw in appellants' analysis is that it provides no limiting priciple. It thus threatens to supplant completely our system of adjudication in independent Art III tribunals and replace it with a system of 'specialized' legislative courts."
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> * * *
>
> In short, to accept appellants' reasoning, would require that we replace the principles delineated in our precedents, rooted in history and the Constitution, with a rule of broad legislative discretion that could effectively eviscerate the constitutional guarantee of an independent Judicial Branch of the Federal Government."

The Court found that there are only three narrow situations representing exceptions to the constitutional command that the judicial power of the United States be vested in Article III courts. These are (1) territorial and District of Columbia courts, (2) courts martial relating to the military, and (3) administrative agencies created by Congress to adjudicate cases involving "public rights." With respect to the Bankruptcy Act, the Court concluded it fell within none of these exceptions. These same comments are applicable to 28 U.S.C. § 636(c) here at issue. The grant of judicial power to magistrates is not restricted to the three narrow situations described in *Northern Pipeline*. Rather, § 636(c) is specifically applicable to precisely the cases or controversies between individuals that, under Article III, have been the exclusive province of the judiciary. Indeed, under § 636(c) magistrates can try cases and enter judgments in *any* federal case.

The second argument advanced in *Northern Pipeline* for upholding the constitutionality of the Bankruptcy Act was that the Bankruptcy Court was merely an "adjunct" to the district court (458 U.S. at 77):

> "The essential premise underlying appellants' argument is that even where the Constitution denies Congress the power to establish legislative courts, Congress possesses the authority to assign certain factfinding functions to adjunct tribunals."

This Court rejected the argument, relying upon the earlier decisions in *Crowell* v. *Benson*, 285 U.S. 22 (1932) and *U.S.* v. *Raddatz*, 447 U.S. 667 (1980). In *Crowell*, the Court held constitutional a statute wherein initial factual determinations as to claims by employees for compensation for work related injuries occurring upon the navigable waters of the United States were made by a compensation board. Every compensation order was, however, appealable to the appropriate district court, which had the *sole* power to enforce the order.

Raddatz was cited by this Court for the proposition that use of an adjunct fact finder is permissible "so long as those adjuncts were subject to sufficient control by an Art III district court" (458 U.S. at 79). *Raddatz* held that the reference of a case to a magistrate under § 636(b) of the Magistrate Act, which specifies that the magistrate's proposed findings and recommendations are subject to *de novo* review by the district court, was constitutional. This Court emphasized, however, that the ultimate decision making authority under § 636(b) clearly remains with the district court, and considered this fact determinative (458 U.S. at 83):

> "Critical to the Court's decision to uphold the Magistrates Act was the fact that the ultimate decision was made by the district court."

From *Crowell* and *Raddatz*, this Court in *Northern Pipeline* derived two principles for evaluating "adjunct" schemes:

(1) The Court recognized that, when Congress creates a substantive federal right, it possesses substantial discretion to prescribe the manner in which that right may be adjudicated including the assignment to an adjunct of some functions historically performed by judges;

(2) However, the function of the adjunct *must be limited* in such a way, that "the essential attributes" of judicial power are retained in the Article III Court.

Moreover, this Court in *Northern Pipeline* rejected the proposition that Article III is satisfied so long as some degree of appellate review is provided. This Court noted that such a suggestion was directly contrary to the text of the Constitution, which provides that the judges *both* of the Supreme and Inferior Courts shall hold their offices during good behavior.

Section 636(c) of the Magistrate Act does *not* meet the tests of *Northern Pipeline*. The litigants, while invoking the judicial power of the United States, are at the same time permitted to essentially remove the magistrate from the control of the Article III court by conferring upon the magistrate the power to enter final judgment. Thus, the critical factor with respect to the constitutionality of § 636(b)—that the ultimate decision is reserved to the Article III District Court—is not present with respect to 636(c). Under the tests ennunciated in *Northern Pipeline*, Section 636(c) is violative of Article III.

The majority opinion in *Pacemaker en banc* asserts that, in addition to judicial supervision over the magistrate system as a whole, there is a further element of judicial control in the authority to cancel an order of reference, either *sua sponte* or an application of the parties. Such reasoning, it is submitted, is wide of the mark. There is no statutory guidance as to when and how such

control should be exercised to ensure that withdrawals of reference will be made when appropriate. Moreover, the purpose of consensual reference under Section 636(c) was to relieve district court judges of some of their decisional responsibilities. If district court judges could exercise such close control and supervision over matters referred to magistrates, there would be no need for Section 636(c) in the first place. The only way to *assure* adequate control and supervision by Article III district court judges over magistrates is to limit the magistrates' powers to those set forth in 28 U.S.C. 636(b), which reserves the ulitmate power to enter judgment to the Article III judge.

4. Litigant Consent Under 28 U.S.C. § 636(c) Does Not Cure Its Constitutional Infirmities

The legislative history of the Federal Magistrate Act of 1979 indicates that Congress relied upon the voluntary consent aspect of 28 U.S.C. § 636(c) to overcome any constitutional objections.[7] Likewise, the Ninth Circuit in the *en banc Pacemaker* majority opinion, and the Third Circuit in *Wharton-Thomas* v. *United States* relied on litigant consent under § 636(c) as overcoming any constitutional objections. In *Wharton-Thomas*, the Third Circuit analogized the situation to that where the parties consent to withdraw a demand for jury trial (721 F.2d at 926). The analogy is inapposite. A trial by an Article III judge is not merely in the nature of a personal due process right that can be waived by litigants. Rather, the constitutional mandate of Article III vesting the judicial power of the United States in an independent judiciary is a guarantee which is basic and central to the con-

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[7] Senate Report No. 96-74 (1979) U.S.C. Cong. & Adm. News., page 1469, 1473. See also Silberman, Masters and Magistrates Part II: The American Analogue, 50 N.Y.U.L. Rev. 1297, 1350-54 (1975).

stitutional framework of the organization of our government.

There is a difference between constitutional provisions that are "jurisdictional" in nature and those that are due process in nature that merely create rights in litigants. In *Patton* v. *United States*, 281 U.S. 276 (1930) the Court addressed the question of whether the constitutional provisions regarding trial by jury could be waived by consent of the litigants, saying (281 U.S. 293):

> "We come, then, to the crucial inquiry: Is the effect of the constitutional provisions in respect of trial by jury to establish a tribunal as a part of the frame of Government, or only to guarantee to the accused the right to such a trial?"

The Court in *Patton* found that the right to trial by jury only guaranteed to the accused the right to such a trial, and was not a basic aspect of the framework of government. The Court however, clearly indicated that if a provision was jurisdictional, i.e., relating to the basic constitutional aspect of governmental structure, then it could *not* be waived. The Court in *Patton* quoted with approval from *Low* v. *United States*, 169 Fed. 86, 92 (6th Cir. 1909):

> "Undoubtedly, the accused has a right to waive everything which pertains to form and much which is of the structure of a trial. But he may not waive that which concerns both himself and the public, nor any matter which involves fundamentally the jurisdiction of the Court."

The Constitutional vesting of the judicial power of the United States in Article III courts is intended to maintain the independence and integrity of a separate and distinct judicial branch of government. The requirements of Article III, commanding that the judicial power of the United States be vested in judges having life tenure and protec-

tion against salary diminution, are the vehicles for insuring the independence of the judiciary from the executive and legislative branches of the government and maintaining the checks and balances and separation of powers basic to our constitutional framework. *Northern Pipeline, supra.* This most certainly is a concern not only to the litigant, but to the public as well, and fundamentally involves the jurisdiction of the court.

The framers of the Constitution "sought to make the federal judges servants . . . only of their consciences." *United States* v. *Woodley*, No. 82-1028, slip op. at 5734 (9th Cir. Dec. 8, 1983). Magistrates are clearly not in that position. They are subject to control by the Article III judiciary for their appointment, retention, and authority to decide cases. Their compensation is subject to control by Congress. Yet, as Judge Schroeder points out in the dissent in the *Pacemaker en banc* decision (Appendix page 22a):

> "Under the Act magistrates may, among their many judicial duties, review the constitutionality of actions taken by the other branches. Any failure in execution of this duty injures the entire constitutional system by diminishing the judiciary's check on the other branches. The exercise of the judicial power by magistrates whose independence is so seriously compromised places our constitutional system at risk.

Judge Schroeder's dissent also points out that by delegating to judicial counsels the power to create magistrate positions, Congress has abdicated its constitutional responsibility under Article I, section 8, clause 9, "to constitute Tribunals inferior to the Supreme Court." While this abdication reduces the pressure on Congress to cre-

ate additional Article III judges, it increases the pressure on district courts to escalate the use of magistrates.[8]

Moreover, section 636(c) undermines the appointment power of the President and the confirmation power of the Senate under Article II, Section 2. As Judge Schroeder's dissent in the *Pacemaker en banc* decision points out (Appendix page 23a) appointment of magistrates by the judicial counsel deprives both the President and the Senate of any voice in the selection of individuals who are to exercise Article III powers. This is a fundamental interference in the constitutional system of checks and balances. *Buckley* v. *Valeo*, 424 U.S. 1, 120-33 (1976).

The jurisdictional nature of the mandates of Article III have been recognized. In a dissent in *Crowell* v. *Benson*, 285 U.S. 22 (1932), Justice Brandeis indicated that Article III rights could be equated with due process guarantees, and that Congress was free to delegate decision making authority to non-Article III tribunals except where "due process" requires "judicial process" (285 U.S. 87). However, the more recent decision of *Glidden Co.* v. *Zdanok*, 370 U.S. 530 (1963), recognizes that Article III rights are distinct from due process rights and involve more than merely due process. In *Glidden* the designation of retired Judges of the U.S. Court of Claims and Court of Customs and Patent Appeals (then considered legislative courts) to preside over trials in Article III courts was challenged. The Court resolved the issue by deciding that the judges of those courts were in fact Article III judges. The Court recognized, however, that

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[8] From 150 full-time magistrates positions authorized for 1978, the number has risen to 223. *See*, 1977 Annual Report of the Director of the Administrative Office of the United States Courts at 28; 1983 Report at 200.

more than due process was involved, and found that Article III explicitly "gives the petitioners a basis for complaint without requiring them to point to specific instances of mistreatment" (370 U.S. 533). Still more recently, the Court has spoken in *Insurance Corp. of Ireland, Ltd.* v. *Compagnie des Bauxites de Guinea*, 456 U.S. 694, 702 (1982):

> "Subject matter jurisdiction, then is an Article III as well as a statutory requirement; it functions as a restriction on federal power, and contributes to the characterization of the federal sovereign. Certain legal consequences directly follow from this. For example, no action of the parties can confer subject matter jurisdiction upon a federal court. *Thus, the consent of the parties is irrelevant*, California v La Rue 409 US 109, 34 L Ed 2d 342, 93 S Ct 390 (1972), principles of estoppel do not apply, American Fire & Casualty Co. v Finn, 341 US 6, 17-18, 95 L Ed 702, 71 S Ct 534 (1951), and a party does not waive the requirement by failing to challenge jurisdiction early in the proceedings." (Emphasis added.)

Since subject matter jurisdiction cannot be waived *because it is an Article III requirement*, it follows that the other requirements of Article III cannot be waived. Consent of the parties cannot vitiate the mandates of Article III of the Constitution guaranteeing an independent judiciary, and 28 U.S.C. 636(c) is thus unconstitutional.

5. Consensual Reference Under § 636(c) Cannot Be Analogized To Arbitration

It has been argued that consensual reference to a magistrate is analogous to a constitutionally permissible arbitration proceeding (see *DeCosta* v. *CBS*, *supra*, 520 F.2d at 505). Careful analysis, however, demonstrates that the analogy fails. When parties agree to arbitrate, they are *not* invoking the "judicial power" of the United

States described in Article III.[9] Rather, they are entering into a contract to settle their controversy outside the judicial power of the United States, and it is the agreement under which the arbitrators were selected which is at once the source and limit of their authority. *Continental Ins. Co.* v. *Garrett*, 125 F. 589, 590 (6th Cir. 1903). When parties select arbitration for dispute resolution, they select a particular private individual for resolution of that particular dispute in a private forum. In contrast, a magistrate is a public official appointed by the district court judges and open to all comers, exercising the judicial power of the district court—not power established by agreement between the parties. An arbitrator cannot issue an order or enter final judgment. Rather, to enforce an arbitration award resort must be had to the courts. When courts enforce the arbitration award, they are enforcing the contract to arbitrate the underlying dispute, not deciding the dispute in the name of the district court. An arbitration award (except as between the parties) has no precedential value. In contrast, when parties consent to a trial by a magistrate under § 636(c), they are not selecting an alternative "forum." The parties, by filing the action, have invoked the judicial power of the United States and the magistrate issues a final binding judgment *in the name of the court* which arguably sets precedent with respect to subsequent cases. There is a clear cut fundamental difference between arbitration and entry of final judgments by non-Article III magistrates.

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[9] See discussion in Note, Article III Limits on Article I Courts: The Constitutionality of the Bankruptcy Court and the 1979 Magistrate Act, 80 Colum. L. Rev. 560, 593 (1980).

6. There Is A Danger That, In Practice, Consent Would Not Be Voluntary

It is clear that creation of U.S. magistrates in the first instance in 1968, and the continual expansion of their powers and duties in the 1976 and 1979 Acts, has been motivated by concern over the increasingly burdened district court caseload. Commentators have pointed out that, with such increasing congestion in the district court dockets, refusal to consent to a magistrate trial may, as a matter of course, come to involve excessive delay, increased cost, and "judicial annoyance at being saddled with a case originally designated for reference."[10] Thus faced with such realities, litigants, particularly if of modest means, may feel compelled to consent to such a reference. To suppose that such pressures to consent will not develop "ignores reality" (*en banc Pacemaker* opinion, dissent by Judge Schroeder, Appendix page 31a).

The Ninth Circuit *en banc* majority opinion in this case, as well as the First, Second and Third Circuit decisions upholding the constitutionality of Section 636(c), lean heavily toward pragmatic concerns. The underlying concern is clearly the burgeoning caseload in the federal district courts. However, Congress has overstepped Constitutional limits in establishing magistrates as *de facto* federal judges under Section 636(c). As Justice Marshall, joined by Justice Stewart, noted in a dissenting opinion in *United States* v. *Raddatz* (447 U.S. at 713):

> "But the replacement of Art III judges with magistrates, even if the replacement extends only to the findings of facts, erodes principles that strike near the heart of the constitutional order. In such contexts considerations of administrative cost are least

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[10] *Id.* at 595.

> forceful, and the Court must be most wary least principles that were meant to endure be sacrificed to expediency.

Here, section 636(c) replaces an Article III judge *entirely* by a magistrate lacking Article III attributes, not just with respect to fact finding. Such a departure from the mandates of Article III, which were designed to ensure the independence of the judiciary, cannot be justified on any pragmatic concerns, no matter how expedient.

CONCLUSION

For the reasons set forth above, the Petition for Writ of Certiorari should be granted.

Respectfully submitted,

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Dated May 16, 1984

APPENDICES

APPENDIX A

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

Nos. 82-3152
82-3182

D.C. No. CV 79-601-JU

PACEMAKER DIAGNOSTIC CLINIC OF AMERICA, INC., a corporation,
Plaintiff-Appellant/Cross-Appellee,

v.

INSTROMEDIX, INC., a corporation,
Defendant-Appellee/Cross-Appellant.

Appeal from the United States District Court
for the District of Oregon

On remand from an en banc panel of the
United States Court of Appeals
for the Ninth Circuit

FILED
MAY 4 1984
PHILLIP B. WINBERRY
CLERK, U.S. COURT OF APPEALS

MEMORANDUM*

Before: FERGUSON, BOOCHEVER, and NORRIS, Circuit Judges.

This patent infringement case was tried before a magistrate with the consent of the parties. This panel held that the magis-

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*The panel has concluded that the issues presented by this appeal do not meet the standards set by rule 21 of the rules of this court for disposition by written opinion. Accordingly, it is ordered that dis-

trate could not constitutionally render a final decision. The case was reconsidered by the court sitting in limited en banc. The en banc court held that the magistrate could validly render final judgments in cases heard consentually. The appeal was remanded to this panel for consideration of the merits of the patent infringement issue.

The magistrate found that the patent was not infringed and was valid. We affirm the non-infringement judgment, but conclude that the magistrate erred in further adjudicating the validity of Pacemaker's patents.

1. Infringement

A finding of non-infringement is one of fact and thus subject to the "clearly erroneous" standard. *Graver Tank & Manufacturing Co.* v. *Linde Air Products Co.*, 339 U.S. 604, 612 (1950). The construction of a patent, however, is a matter of law. *Ziegler* v. *Phillips Petroleum Co.*, 483 F.2d 858, 867 (5th Cir.), *cert. denied*, 414 U.S. 1079 (1973).

The magistrate found

> that the defendant's accused devices are not within the language of the [Kennedy] claims because they do not utilize the method of bandwidth compression as the term is used in Kennedy's claims and because defendant's devices transmit only one characteristic — pulse width — whereas Kennedy's claims refer to sequentially gating several pulse characteristics.
>
> . . .
>
> I conclude that Kennedy uses "bandwidth compression" to actually describe a method of "pulse width expansion" or "time base expansion." The defendant's devices do not employ a method of pulse width expansion and therefore are not literally within the scope of plaintiff's claims.

The magistrate did not clearly err in finding that Instromedix's devices did not infringe Pacemaker's patent, and

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position be by memorandum, foregoing publication in the Federal Reporter, and that this memorandum may not be cited to or by the courts of this circuit.

the legal principles he applied to the construction of the patents were correct.

2. Validity of Pacemaker's Patents

The magistrate also found that the Kennedy patents assigned to Pacemaker were valid. A court which determines that a patent is infringed may consider the validity of a patent because that determination is necessary to resolve the dispute between the parties. *Neff Instrument Corp.* v. *Cohu Electronics, Inc.*, 298 F.2d 82, 88 & n.12 (9th Cir. 1961)

When a court finds the patent is not infringed, it also has the discretion to find the patent *invalid*. It should exercise this discretion and strike down clearly invalid patents where it would be in the public interest to do so, even though a finding of non-infringement would dispose of the case. *Kemart Corp.* v. *Printing Arts Research Laboratories, Inc.*, 201 F.2d 624, 634 (9th Cir. 1953). The analysis, however, is not symmetrical. The court may not hold the patent *valid* after a finding of non-infringement. *Id.* Once it is determined that a patent is not infringed, a holding as its validity "would be a decision of a hypothetical case." *Mobil Oil Corp.* v. *Filtrol Corp.*, 501 F.2d 282, 293-294 (9th Cir. 1974) *quoting Kemart Corp.* v. *Printing Arts Research Laboratories, Inc.*, 201 F.2d 624, 634 (9th Cir. 1953).

We agree with the implied holding of the magistrate that the Pacemaker patents were not clearly invalid and that the public interest does not require that they be stricken. The magistrate erred, however in rendering an advisory opinion as to the validity of the patents.

The judgment of non-infringement is affirmed. The portion of the judgment holding that Pacemaker's patents are valid is reversed.

AFFIRMED in part and REVERSED in part.

APPENDIX B

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

Nos. 82-3152
82-3182

D.C. No. CV 79-601-JU

PACEMAKER DIAGNOSTIC CLINIC OF AMERICA, INC., **a corporation,**
Plaintiff-Appellant/Cross-Appellee,

vs.

INSTROMEDIX, INC., a corporation,
Defendant-Appellee/Cross-Appellant.

FILED
FEB 16 1984
PHILLIP B. WINBERRY
CLERK, U.S. COURT OF APPEALS

OPINION

Appeal from the United States District Court
for the District of Oregon

Honorable George E. Juba
United States Magistrate, Presiding

Argued and Submitted En Banc: November 15, 1983

Before: BROWNING, SNEED, KENNEDY, TANG, SCHROEDER, FARRIS, PREGERSON, ALARCON, POOLE, NELSON, and CANBY, Circuit Judges.

KENNEDY, Circuit Judge:

We consider this case en banc to address an issue important to the administration of justice in the federal courts. The

question is the constitutionality of the section of the Federal Magistrate Act of 1979 which allows magistrates to conduct civil trials with the consent of all parties. 28 U.S.C. § 636(c) (Sup. V 1981).

Pacemaker, Inc., brought this suit alleging patent infringement against Instromedix, Inc. Instromedix counterclaimed for a declaration of the patent's invalidity. The parties, pursuant to 28 U.S.C. § 636(c) and local rules of the District of Oregon, elected to try the case before a United States Magistrate. The magistrate held the patent valid, but not infringed. Both parties appealed, and a panel of this court, *sua sponte*, raised the question of the constitutionality of trial by a magistrate, an officer not accorded the protections of Article III, section 1, of the Constitution. The panel held the statute invalid and vacated the judgment, *Pacemaker Diagnostic Clinic* v. *Instromedix, Inc.*, 712 F.2d 1305 (9th Cir. 1983), and the court has convened en banc to reconsider the case. *Pacemaker Diagnostic Clinic* v. *Instromedix, Inc.*, 718 F.2d 971 (9th Cir. 1983) (order granting rehearing en banc). We hold that, in light of the statutory precondition of voluntary litigant consent and the provisions for the appointment and control of the magistrates by Article III courts, the conduct of civil trials by magistrates is constitutional.

Commencing with the Federal Magistrates Act of 1968, Pub. L. No. 90-578, 82 Stat. 1107, Congress enacted a series of statutes to "reform the first echelon of the Federal judiciary into an effective component of a modern scheme of justice." H.R. Rep. No. 1629, 90th Cong., 2d Sess. 11, *reprinted in* 1968 U.S. Code Cong. & Ad. News 4252, 4253-54. The 1968 Act replaced the former ofice of United States Commissioner with the new office of United States Magistrate. The 1968 Act was designed to improve the quality of these officers and to enlarge their responsibilities. The Act established minimum qualificatons for the office, and vested the appointment authority with the judges of each district. 28 U.S.C. § 631 (1976). Magistrates' jurisdiction was expanded to include duties such as "service as special masters, supervision of pretrial or discovery proceedings, and preliminary consideration of petitions for postconvic-

tion relief." H.R. Rep. No. 1629, 90th Cong., 2d Sess. 11, *reprinted in* 1968 U.S. Code Cong. & Ad. News at 4254. *See* 28 U.S.C. § 636(a), (b) (1976). Magistrates were also given jurisdiction over minor criminal offenses when the accused waives trial by jury and trial before an Article III court. 18 U.S.C. § 3401 (1976).

The Act was amended in 1976, Pub. L. No. 94-577, 90 Stat. 2729, in response to a number of court decisions which had, as a matter of statutory interpretation, limited the jurisdiction of magistrates. *See, e.g., Wingo* v. *Wedding*, 418 U.S. 461 (1974); *see* S. Rep. No. 625, 94th Cong., 2d Sess. 3-4 (1976); H.R. Rep. No. 1609, 94th Cong., 2d Sess. 5-6. *reprinted in* 1976 U.S. Code Cong. & Ad. News 6162, 6164-66. By clarifying the statutory language, Congress solidified the jurisdiction of magistrates over certain matters. *See* McCabe. *The Federal Magistrate Act of 1979*, 16 Harv. J. Legis. 343, 353-54 (1979).

The section at issue here, 28 U.S.C. § 636(c), was enacted in 1979 together with other provisions. The Federal Magistrate Act of 1979, Pub. L. No. 96-82, 93 Stat. 643, § 2(2). Congress' object was "to amend the current jurisdictional provisions for U.S. magistrates . . . in order to further clarify and expand the jurisdiction of U.S. magistrates and improve access to the Federal courts for the less-advantaged." S. Rep. No. 74, 96th Cong., 1st Sess. 1, *reprinted in* 1979 U.S. Code Cong. & Ad. News 1469, 1469. Thus, section 636(c) authorizes magistrates, when specially designated by the district court, to exercise jurisdiction over civil matters and enter a final judgment in the district court in civil cases, provided the parties consent to the reference.

The challenge to the statute is based on the implicit command of Article III that the judicial power of the United States is confined to judges holding commissions under and cloaked with the protections of that article, and the corollary principle of separation of powers. Article III is one of the provisions of the Constitution which delineates the separation of powers amongst the branches of government. The attributes of Article III judges, permanency in office and the right to an undimi-

nished compensation, are as essential to the independence of the judiciary now as they were when the Constitution was framed. *See* The Federalist Nos. 78 & 79 (A. Hamilton); *Northern Pipeline Construction Co.* v. *Marathon Pipeline Co.*, 458 U.S. 50, 58-60 (1982); *United States* v. *Will*, 449 U.S. 200, 217-221 (1980). In addition to the unimpeached precedent supporting this proposition, our own experience attests to the substance and reality of the guarantees. A separate and independent judiciary, and the guarantees that assure it, are present constitutional necessities, not relics of antique ideas.

We have observed that separation of powers protections, in some cases, have two components. One axis reaches to the person affected by government action and encompasses his or her relation to a constitutional branch; the other axis runs from each governmental branch to the others to insure separation and independence in the constitutional structure. *Chadha* v. *INS*, 634 F.2d 408, 422, 431 (9th Cir. 1980), *aff'd*, ___ U.S. ___ (1983). These two aspects of the separation of powers rule are applicable here. Where a case is transferred or assigned from an Article III court to a different forum, both the rights of the parties and the relations between the separate branches of the government are implicated. First, we consider whether transfer of the case to a magistrate invades rights personal to the litigants. Second, we examine whether, even if the parties have consented to the procedure, the existence or operation of the alternate forum compromises the essential independence of the judiciary.

At the outset, and leaving aside all consideration of criminal cases, we recognize the principle that parties to a case or controversy in a federal forum are entitled to have the cause determined by Article III judges, with some significant exceptions yet to be fully delineated by the Supreme Court. *Northern Pipeline Construction Co.* v. *Marathon Pipe Line Co.*, 458 U.S. 50 (1982) (plurality opinion); *id.* at 89 (Rehnquist, J., concurring). We decide the case before us on the further premise that the patent suit here falls within none of the recognized or potential exceptions, even the public rights exception.

Id. at 67-76. Though no authority we have found expressly so holds, it is appropriate to address the constitutional issue in this patent case. The statutory provision for reference to magistrates applies, without qualification, to all civil cases, and the issue will arise in other matters that do not arguably qualify as a case involving federally created rights. In its recent decision upholding the statute, the Third Circuit adopted the same approach to reach the constitutional issue. *See Wharton-Thomas* v. *United States*, No. 82-5555, slip op. at 17 (3d Cir. Nov. 23, 1983).

The independent character of federal adjudication under Article III imparts to a judgment qualities of authority and respect that are well understood. It follows that the federal litigant has a personal right, subject to exceptions in certain classes of cases to demand Article III adjudication of a civil suit. Authorities support the premise that Article III adjudication is, in part, a personal right of the litigant. *Glidden Co.* v. *Zdanok*, 370 U.S. 530, 536 (1962) ("The alleged defect of authority here relates to basic constitutional protections designed in part for the benefit of litigants"); *Palmore* v. *United States*, 411 U.S. 389, 412 (1973) (Douglas, J., dissenting) ("the safeguards accorded Art. III judges were designed to protect litigants with unpopular or minority causes or litigants who belong to despised or suspect classes"); Kurland, *The Constitution and the Tenure of Federal Judges: Some Notes from History*, 36 U. Chi. L. Rev. 665, 698 (1969) (life tenure of federal judges "not created for the benefit of the judges but for the benefit of the judged"); Kaufman, *Chilling Judicial Independence*, 88 Yale L.J. 681, 690 (1979) (same). And it could not be otherwise, for in deciding cases or controversies, the judicial branch acts primarily on the litigants before the court. *O'Donoghue* v. *United States*, 289 U.S. 516, 632 (1933) (quoting Chief Justice Marshall in the debates on the Virginia State Convention of 1829-1830).

Magistrates are not protected by Article III status. Their term of office is for four or eight years; they can be removed by the judges of the district or, in some cases, the circuit council;

and their salary may be diminshed by act of Congress. 28 U.S.C. §§ 631(e), (i) 633(c) & 634 (1976 & Supp. V 1981). A mandatory provision for trial of an unrestricted class of civi' cases by a magistrate and not by Article III judges would violate the constitutional rights of the litigants. Nevertheless, as this aspect of the separation of powers doctrine embodied in Article III is personal to the parties, it may be waived.

In recent cases, the Supreme Court has not had to consider the constitutional implications of consent by the parties to go before a non-Article III judge, because in none did all parties consent to such a procedure. *See, e.g., Northern Pipeline Construction Co.* v. *Marathon Pipe Line Co.*, 458 U.S. 50 (1982); *United States* v. *Raddatz*, 447 U.S. 667 (1980); *Palmore* v. *United States*, 411 U.S. 389 (1973); *Glidden Co.* v. *Zdanok*, 370 U.S. 530 (1962). Significantly, in the Court's latest interpretation of Article III, all the Justices, although not forced to confront the issue squarely, indicated that consent is important to the constitutional analysis. *See Northern Pipeline*, 458 US. at 79, n. 31 (Brennan, J.) (plurality opinion) ("[b]efore the [Bankruptcy Reform] Act the referee had no jurisdiction, *except with consent*, over controversies beyond those involving property in the actual or constructive possession of the court" (emphasis added)); *id.* at 91 (Rehnquist, J., concurring) ("I would, therefore, hold so much of the Bankruptcy Act of 1978 as enables a Bankruptcy Court to entertain and decide Northern's lawsuit *over Marathon's objection* to be violative of Art. III of the United States Constitution" (emphasis added)); *id.* at 92 (Burger, C.J., dissenting) ("the Court's holding is limited to the propositon stated by Justice Rehnquist in his concurrence in the judgment—that a 'traditional' state common-law action, not made subject to a federal rule of decision, and related only peripherally to an adjudication of bankruptcy under federal law, must, *absent the consent of the litigants*, be heard by an 'Article III court' " (emphasis added)); *id.* at 95 (White, J., dissenting) (under the majority's interpretation, state law claims "would have to be heard by Art. III judges or by state courts—*unless the defendant consents to suit before the bankruptcy judge*—just as they were before the 1978 Act was

adopted" (emphasis added)). *See also* McCabe, *The Federal Magistrate Act of 1979*, 16 Harv. J. Legis. 343, 374-79 (1979); Silberman. *Masters and Magistrates Part II: The American Analogue*, 50 N.Y.U. L. Rev. 1297, 1350-54 (1975); Comment, *An Adjudicative Role for Federal Magistrates in Civil Cases*, 40 U. Chi. L. Rev. 584 (1973) (all arguing that litigant consent solves any Article III constitutional problems under the new Magistrate Act). The Third Circuit has concluded that consent under § 636(c) cures any constitutional defects, *Wharton-Thomas* v. *United States*, No. 82-5555, slip op. at 7-9 (3d Cir. Nov. 23, 1983), and that conclusion is entitled to deference.

We also give considerable weight to the judgment of Congress that consent of the parties eliminates constitutional objections. The House Committee gave explicit consideration to the issue of constitutionality, and concluded that consent of the parties suffices to overcome objections based on constitutional grounds. *Compare* H.R. Rep. No. 287, 96th Cong., 1st Sess. 7-9 (1979) (House Committee confident that the Magistrate Act passes constitutional muster) *with* H.R. Rep. No. 595, 95th Cong. 1st Sess., 36-39 (1977), *reprinted in* 1978 U.S. Code Cong. & Ad. News, 5963, 5997-6000; *and*, Staff of House Subcommittee on Civil and Constitutional Rights, Committee on the Judiciary, 95th Cong., 1st Sess., Constitutional Bankruptcy Courts 33 (Committee Print 1977 (same Committee expressing substantial doubts about the constitutionality of the Bankruptcy Reform Act the Supreme Court subsequently struck down in *Northern Pipeline*).

The Supreme Court has allowed criminal defendants to waive even fundamental rights: the right to be free from self-incriminaton, *Garner* v. *United States*, 424 U.S. 648 (1976), the right to counsel, *Adams* v. *United States ex rel. McCann*, 317 U.S. 269 (1942), the right to be free from unreasonable searches and seizures, *Schneckloth* v. *Bustamonte*, 412 U.S. 218 (1973), the right to a speedy trial, *Barker* v. *Wingo*, 407 U.S. 514 (1972), the right to a jury trial, *Duncan* v. *Louisiana*, 391 U.S. 145, 158 (1968), and even, by pleading guilty, the right to trial itself. *See Boykin* v. *Alabama*, 95 U.S. 238, 243 (1969).

We refuse to reach the anomalous result of forbidding waiver in a civil case of the personal right to an Article III judge.

The waiver of personal rights must, of course, be freely and voluntarily undertaken. The present statute recognizes the importance of this requirement and provides tht "[r]ules of court for the reference of civil matters to magistrates shall include procedures to protect the voluntariness of the parties' consent." 28 U.S.C. § 636(c)(2). The local rules of the District of Oregon pertaining to the assignment of civil cases to magistrates meet this requirement.

The purported waiver of the right to an Article III trial would not be an acceptable ground for avoiding the constitutional question if the alternative to the waiver were the imposition of serious burdens and costs on the litigant. If it were shown that the choice is between trial to a magistrate or the endurance of delay or other measurable hardships not clearly justified by the needs of judicial administration, we would be required to consider whether the right to an Article III forum had been voluntarily relinquished. No such burdens or hardships have been demonstrated here. Access to district judges in the current judicial system is not so restricted that adjudication of cases by magistrates is a compelled alternative.

Pacemaker argues that in the federal system a party may not consent to jurisdiction so that the parties cannot waive their rights under Article III The maxim that parties may not consent to the jurisdiction of federal courts is not applicable here. The rule is irrelevant because it applies only where the parties attempt to confer upon an Article III court a subject matter jurisdiction that Congress or the Constitution forbid. *See, e.g.*, *Jackson* v. *Ashton*, 33 U.S. (8 Peters), 148, 148-49 (1834); *Mansfield, Coldwater & Lake Michigan Railway Co.* v. *Swan*, 111 U.S. 379 91884). The limited jurisdiction of the federal courts and the need to respect the boundaries of federalism underlie the rule. In the instant case, however, the subject matter, patents is exclusively one of federal law. The Supreme Court has explicitly held that Congress may "confer upon federal courts jurisdiction conditioned upon defendant's con-

sent." *Williams* v. *Austrian*, 331 U.S. 642, 652 (1947); *see Harris* v. *Avery Brundage Co.*, 305 U.S. 160 (1938). The litigant waiver in this case is similar to waiver of a defect in jurisdicion over the person, a waiver federal courts permit. *Hoffman* v. *Blaski*, 363 U.S. 335, 343 (1960).

The maxim also begs the essential question, whether jurisdiction can be conferred on the magistrate. The issue is not the expansion of Article III jurisdiction but is transfer to another federal forum. The component of the separation of powers rule that protects the integrity of the constitutional structure, as distinct from the component that protects the rights of the litigants, cannot be waived by the parties, but that analysis requires us to address questions more fundamental than the irrelevant rule that jurisdiction cannot be conferred by the parties. We now address those concerns.

On its most fundamental plane, the separation of powers doctrine protects the whole constitutional structure by requiring that each branch retain its essential powers and independence. *Buckley* v. *Valeo*, 424 U.S. 1, 120 (1976); *Chadha* v. *INS*, 634 F.2d at 425 (9th Cir. 1980), *aff'd*, ___ U.S. ___ (1983). Statutes or governmental actions which violate the separation of powers doctrine in its systemic aspect should be invalidated, as a general rule, despite waiver by affected private parties. Here the statute requires entry and enforcement of judgments in an Article III court after a non-Article III judicial officer has heard the suit. The procedure raises at least two concerns for the integrity of the judiciary. The first is whether, by providing for reference of court cases to a magistrate, Congress has invaded the power of a coordinate branch or permitted an improper abdication of that branch's central authority. *See, e.g., Buckley* v. *Valeo*, 424 U.S. 1, 120-43 (1976); *Schecter Poultry Corp* v. *United States*, 295 U.S. 495, 529-42 (1935); the second is whether the requirement for entry of judgment improperly directs the judiciary in the performance of its duties. *See United States* v. *Klein*, 80 U.S. (13 Wall.) 128 (1871); *cf. California Medical Ass'n* v. *Federal Election Comm'n*, 641 F.2d 619, 531-32 (9th Cir. 1980) (en banc)

(statutory provision requiring en banc consideration of cases arising under Federal Election Campaign Act may present constitutional questions), *aff'd*, 453 U.S. 182 (1981).

The standard for determinig whether there is an improper interference with or delegation of the independent power of a branch is whether the alteration prevents or substantially impairs performance by the branch of its essential role in the constitutional system. *Nixon* v. *Administrator of General Services*, 433 U.S. 425, 443 (1977). There is little guidance in the cases beyond this broad formulation, but the general rule can be narrowed for the case before us. If the essential, constitutional role of the judiciary is to be maintained there must be both the appearance and the reality of control by Article III judges over the interpretation, declaration, and application of federal law. *See Northern Pipeline Construction Co.* v. *Marathon Pipe Line Co.*, 4589 U.S. 50, 76-81 (1982); *United States* v. *Raddatz*, 447 U.S. 667, 685 (1980) (Blackman, J., concurring). The required control must be more than simple appellate review. This is the teaching of *Northern Pipeline*. 458 U.S. at 86, n.39.

Ours is not the paradigmatic separation of powers case, where the integrity of one branch is threatened by another which attempts an abrrogation of power to itself. *E.g.*, *Buckley* v. *Valeo*, 424 U.S. 1, 120 (1976); *Youngstown Steel & Tube* v. *Sawyer*, 343 U.S. 579 (1952). The potential for disruption is instead the erosion of the central powers of the judiciary by permitting it to delegate its own authority. Upon examination of the statute before us, we conclude that it contains sufficient protection against the erosion of judicial power to overcome the constitutional objections leveled against it. The statute invests the Article III judiciary with extensive administrative control over the management, composition, and operation of the magistrate system. It permits, moreover, control over specific cases by the resumption of district court jurisdiction on the court's own initiative.

Article III courts control the magistrate system as a whole. The statutory scheme created by Congress protects against

intervention by political branches of government. The Judicial Conference of the United States, composed exclusively of Article III judges, *see* 28 U.S.C. § 331 (1976), determines the number of magistrate positions for each district, 28 U.S.C. § 633(b), protecting against the designation of so many magistrates that effective judicial control is lost. We must acknowledge that the exclusive character of Article III control in this one aspect of the statute will lose considerable force under an amendment effective April 1984, when bankruptcy judges, non-Article III officers, are included within the Judicial Conference of the United States. 28 U.S.C. § 331 (Supp. V 1981). There are enough other aspects of exclusive judicial control so that this change should not alter our conclusion, though it does detract from the constitutional symmetry of the Magistrate Act.

Selection of magistrates and their retention in office, under statutory standards relating to performance and fitness, is the responsibility of Article III judges, as it is vested in the judges of the separate districts. 28 U.S.C. § 631. Magistrates thus are not made directly dependent upon loyalty to officers in either of the political branches.

The congressional designation of Article III judges to select and to appoint magistrates as subordinate officers is not the mark of an aberrant procedure. To the contrary, the Constitution contains explicit, textual authority for the judiciary to appoint its own officers, if the Congress so permits. Article II, section 2 provides that "the Congress may by law vest the appointment of such inferior officers, as they think proper, in the President alone, in the Courts of Law, or in the Heads of Departments." *See Go-Bart Importing Co.* v. *United States*, 282 U.S. 344, 352-53 (1931) (commissioners are inferior officers); *Rice* v. *Ames*, 180 U.S. 371, 378 (1901) (Congress may authorize judges to appoint commissioners). This constitutional authority for the exercise of the appointment power by Article III judges implies an important dimension to the judicial power: the judiciary is permitted a degree of control and discretion for the design and shape of its own system. The Magistrates Act implements this constitutional authority.

In addition to judicial supervision over the magistrate system as a whole, there is a further element of judicial control in the Article III authority to cancel an order of reference, *sua sponte* or on application of the parties, in individual cases. 28 U.S.C. § 636(c)(6). The district court's power to void a reference *sua sponte* is predicated upon good cause, a term yet to be explored in the context of specific cases. It would seem at a minimum, however, that good cause for resumption of direct Article III control exists in a case where a political branch of the government is directly affected, or where a substantial constitutional question is presented, or where rights of numerous parties not present before the court might be affected by the decision, or in any other case containing sensitivities such that determination by an Article III judge is required to insure the appearance and the reality of independence and impartiality in the decision. *See* S. Rep. No. 74, 96th Cong., 1st Sess. 14, *reprinted in* 1979 U.S. Code Cong. & Ad. News 1469, 1483. By contrast, certain early Supreme Court cases, while not explicitly addressed to separation of powers concerns, support the proposition that consensual reference to non-Article III judges is permitted in some types of cases. *E.g.*, *Kimberly* v. *Arms*, 129 U.S. 512 (1889) (ownership interest in stock); *Newcomb* v. *Wood*, 97 U.S. (7 Otto) 581 (1878) (restitution for goods sold to bankrupt); *Heckers* v. *Fowler*, 69 U.S. (2 Wall.) 123 (1864) (breach of a patent license and defense of invalidity of patent); *Alexandria Canal Co.* v. *Swann*, 46 U.S. (5 How.) 83 (1847) (trespass to land).

Article III authority is preserved in other respects. District courts retain the power to adjudge a party in contempt. 28 U.S.C. § 636(e). Sections 636(c)(3) and (4) provide for appellate review of the judgment of the magistrate by the appropriate court of appeals as a matter of right or, if the parties consent, by the district court. 28 U.S.C. §§ 636(c)(3), (4). The act imposes no limits on review by the Supreme Court. 28 U.S.C. §§ 636(c)(3), (5). Article III courts retain full authority over questions of law.

The power to cancel a reference, taken together with the retention by Article III judges of the power to designate

magistrate positions and to select and remove individual magistrates, provides Article III courts with continuing, plenary responsibility for the administration of the judicial business of the United States. This responsibility sufficiently protects the judiciary from the encroachment of other branches to satisfy the separation of powers embodied in Article III.

It is instructive to compare and contrast reference of civil cases to a magistrate under § 636(c) the provision at issue here, with the statutory scheme providing for *de novo* review of a magistrate's determination under § 636(b), the system upheld by the Supreme Court in *United States* v. *Raddatz*, 447 U.S. 667 (1980). We must recognize that neither section insures full Article III participation in the decision of every case. Each has its own potential defects and comparative advantages. The merit of the *de novo* determination scheme lies in the duty of the district court to make its own determinations of magistrate rulings to which the parties object, 28 U.S.C. § 636(b)(1); but the defect inherent is the lack of assurance that the full power of the district court will be exercised to rehear the evidence on credibility issues that may be central in the case. *See United States* v. *Raddatz*, 447 U.S. at 683 & n.11. Under the *de novo* determination rule, the district court may give some deference to the findings of magistrates. *Id.* The plan contains at least the potential for district judges to engage in routine and cursory examinations, so that decisions nominally made by district judges will in fact be those of the magistrate. The identity of the officer responsible for the decision may be unclear to the public or to the litigants. Where the responsibilty becomes blurred, power may be either abused or too timidly exercised. *See* Note, *Article III Constraints and the Expanding Civil Jurisdiction of Federal Magistrates: A Dissenting View*, 88 Yale L.J. 1023, 1047-58 (1979).

The consensual case reference scheme, before us here, provides a much better delineation of the decisional process. There should be little danger that litigants or the public will be confused over whether the magistrate or the district judge has

decided the case. The principal disadvantage of the consensual reference plan may arise in the tendency to overuse it. Even if the number of magistrates and case referrals become substantially greater than it is now, there must be active supervision by Article III judges. The statutory safeguards are the power of the district judges to cancel references for good cause, and the requirement of litigant consent. 28 U.S.C. §§ 636(c)(1), (2), (6). Continued and vigilant supervision by Article III judges is of course essential to the integrity of the system, and they must be careful to guard against any compulsion to induce consent through the imposition of costs, delays, or other penalties which would be incompatible with the foregoing conclusion that the consent of the parties is essential to the constitutionality of the Act.

At this stage in the evolution of the magistrate system, however, we cannot say the Congress was constitutionally compelled to rely on the *de novo* determination plan approved in *Raddatz* to the exclusion of the consensual case reference system under examination here. We think there are adequate protections in the statute so that it is not invalid on its face or as applied in the present structure of the judicial system.

From a realistic and practical perspective, reference of civil cases to magistrates with the consent of the parties, subject to careful supervision by Article III judges, may serve to strengthen an independent judiciary, not undermine it. The Constitution is not simply an exercise in metaphysics. The idea of separation of powers is justified by eminently practical considerations. *See* The Federalist No. 51 (J. Madison) at 349 (J. Cooke ed. 1961); *Chadha* v. *INS*, 634 F.2d at 423-24. It is faithful to the idea of separation of powers to examine the real consequences of the statute.

There are compelling reasons for the creation of an infrastructure for determining certain civil cases with the consent of the parties and subject to judicial control. Article III courts have the task of adjudicating an ever-mounting volume of cases, *see* Administrative Office of the United States Courts, Federal Court Management Statistics 1983 (1983).

Further, the entire character of litigation that federal courts principally face is changing. Chayes, *The Supreme Court 1981 Term—Forward: Public Law Litigation an the Burger Court*, 96 Harv. L. Rev. 4 (1982). The legislature and the judiciary act responsibly when they provide and explore new, flexible methods of adjudication, especially where the evolution of the innovative mechanism is left in large part under the control of the judiciary itself. The Magistrate Act was shaped by these considerations. *See* S. Rep. No. 74, 96th Cong., 1st Sess. 4-6, *reprinted in* 1979 U.S. code Cong. & Ad. News 1469, 1472-74.

The patent dispute here required an explanation of the elements of design and the mechanics of a complex computer system used to monitor the performance of artificial implants for sustaining the heartbeat. While we have not examined the validity of the legal conclusions drawn by the magistrate, in the course of a 28 page opinion he gave a meticulous explanation of these matters. The procedure is hardly an affront to the constitutional system where the parties have consented to it. In these circumstances, the case is not one necessarily calling for adjudication by a judge with the protections of Article III.

We hold that consensual reference of a civil case to a magistrate is constitutional, and we remand to the three judge panel of this court to decide the substantive issues of patent law on appeal.

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CLERK, U.S. COURT OF APPEALS

Pacemaker Diagnostic Clinic of America, Inc. v. *Instromedix, Inc.*, 82-3142/3182

SCHROEDER, Circuit Judge with whom PREGERSON and CANBY, Circuit Judges, join, Dissenting.

> The judicial Power of the United States, shall be vested in one supreme Court, and in such inferior Courts as the Congress may from time to time ordain and establish. The

> Judges, both of the supreme and inferior Courts, shall hold their Offices during good Behaviour, and shall, at stated Times, receive for their Services, a Compensation, which shall not be diminised during their Continuance in Office.

U.S. Const. art. III, § 1.

The majority holds that, so long as the parties consent, the power to decide any federal civil case in the district courts of the United States may be exercised by individuals who occupy positions that Congress has not established, and who must depend both upon district judges for their tenure and upon Congress for their compensation. Because I believe this holding disrupts the proper operation of our constitutional system, including the independent exercise of judicial power by individuals free of outside constraints, I dissent.

The majority bases its holding on three well-meaning but fundamentally misguided assumptions. The first assumption is that under our constitutional system the exercise of the judicial power of the United States by Article III judges can depend upon stipulations of the litigants. The second is that magistrates, who operate under the thumb of district court judges and whose salaries are not protected from retaliatory diminution by Congress, have the independence the Constitution is designed to ensure. The third is that consent to use of a magistrate can be presumed to be voluntary when the explicit purpose of the consensual reference provision of the Magistrates Act was to encourage certain classes of litigants to abandon their right to Article III adjudication because existing overburdened district judges could not hear all cases promptly.

The fallacies inherent in these assumption become apparent after examination of the effect the reference provision has upon the relationship among the three branches of government, the effect it has upon the independence of those who decide cases, and its effect upon litigants' right to adjudication by Article III judges.

I. The Effect of Consensual Reference to Magistrates Upon Our Constitutional System

The Magistrates Act, 28 U.S.C. §§ 631-639 (1976 and Supp. V 1981), authorizes the judicial branch to create new judicial offices, appoint those who will occupy the offices, and then delegate to appointees the authority to exercise the civil judicial power of the United States. 28 U.S.C. § 636(c). The Act creates mutations in our system of government that transcend its effects on individual litigants.

Ours is a system of three separate departments of government, each exercising checks on the others. In the words of James Madison:

> It is agreed on all sides, that the powers properly belonging to one of the departments, ought not to be directly and compleatly administered by either of the other departments. It is equally evident, that neither of them ought to possess directly or indirectly, an overruling influence over the others in the administration of their respective powers. It will not be denied, that power is of an encroaching nature, and that it ought to be effectually restrained from passing the limits assigned to it.

The Federalist No. 48, at 332 (J. Cooke ed. 1961).

The judiciary is the principal check on the usurpation of power by the other branches. Judges are to be what Madison described as the "expositors of the Laws." 2 *Records of the Federal Convention of 1787* 73 (M. Farrand rev. ed. 1937). As Chief Justice Marshall pronounced, "It is, emphatically, the province and duty of the judicial department, to say what the law is. "*Marbury* v. *Madison*, 5 U.S. (1 Cranch) 137, 177 (1803). Early legislators recognized that "[s]o long as we may have an independent judiciary, the great interests of the people will be safe." 11 Annals of Cong. 739-40 (1802) (statement of John Rutledge, Jr.).

The judiciary's unique role in the tripartite system is to interpret both the Constitution, which is the fundamental law, and the acts of Congress:

> The interpretation of the laws is the proper and peculiar province of the courts. A constitution is in fact, and must be, regarded by the judges as a fundamental law. It therefore belongs to them to ascertain its meaning as well as the meaning of any particular act proceeding from the legislative body.

The Federalist No. 78, at 525 (A. Hamilton) (J. Cooke ed. 1961). The independence of the judiciary was essential to Hamilton. In the same paper he wrote:

> The complete independence of the courts of justice is peculiarly essential in a limited constitution. . . . Limitations . . . can be preserved in practice no other way than through the medium of the courts of justice; whose duty it must be to declare all acts contrary to the manifest tenor of the constitution void. Without this, all the reservations of particular rights or privileges would amount to nothing.

Id. at 524.

Justice Story's commentaries emphasized the importance of independent judges for the protection of minorities from the tyranny of the majority.

> This independence of the judges is equally requisite to guard the Constitution and the rights of individuals from the effects of those ill humors which the arts of designing men or the influence of particular conjunctures sometimes disseminate among the people themselves; and which, though they speedily give place to better information and more deliberate reflection, have a tendency, in the mean time, to occasion dangerous innovations in the government, and serious oppressions of the minor party in the community.

2 J. Story, *Comentaries on the Constitution of the United States* 403 (1873).

Article III's provisions for tenure in office and undiminishable salary were meant to ensure the independence of Article III judges. Hamilton described tenure as the "best expedient . . . to secure a steady, upright and impartial administration of the laws." *The Federalist* No. 78, at 522 (J. Cooke ed. 1961). The salary provisions, in Hamilton's view, were next in importance for the independence of the judiciary. *The Federalist*

No. 79, at 531 (J. Cooke ed. 1961). Also important was the provision limiting removal of judges to impeachment for misbehavior by the House and trial by the Senate. "This is the only provision on the point, which is consistent with the necessary independence of the judicial character. . . ." *Id.* at 533.

The Framers thus built into the Constitution the formula for judicial independence because the role of the judiciary was to be so central to the maintenance of our system of government. They "sought to make the federal judges servants . . . only of their consciences." *United States* v. *Woodley*, No. 82-1028, slip op. at 5734 (9th Cir. Dec. 8, 1983). Under these standards, magistrates are not independent. They are beholden to the Article III judiciary for their appointment, retention, and authority to decide cases. They are beholden to Congress for their pay.

Yet the Magistrates Act contemplates that magistrates will exercise the judicial power, acting as the "expositors of the laws" applicable to us all. Under the Act magistrates may, among their many judicial duties, review the constitutionality of actions taken by the other branches. Any failure in execution of this duty injures the entire constitutional system by diminishing the judiciary's check on the other branches. The exercise of the judicial power by magistrates whose independence is so seriously compromised places our constitutional system at risk.

The loss of the independent exercise of judicial power, the principal check on encroachment by the legislative and executive branches, is not the only effect of the Magistrates Act on our system of government. The act also interferes seriously with the legislative and executive checks on incursions by the judiciary.

Article III, section 1 of the Constitution vests the judicial power of the United States in one Supreme Court "and in such inferior Courts as the Congress may from time to time ordain and establish." Article I, section 8, clause 9 directly grants Congress the power "To constitute Tribunals inferior to the Supreme Court." In the Magistrates Act Congress has dele-

gated to judicial councils the power to create magistrate positions and thereby has abdicated this constitutional responsibility. In practical terms, this abdication reduces the pressure on Congress to create more Article III judgeships, and increases the pressure on district courts to escalate the use of magistrates. Although the Third Circuit, in *Wharton-Thomas* v. *United States*, No. 82-5555 (3d Cir. Nov. 23, 1983), recognized this problem forthrightly, slip op. at 17-18, it has ignored the constitutional significance of the force creating these practical effects. The majority in this case has ignored even the practical dilemma.

The Magistrate Act also undermines the appointment power of the President and the confirmation power of the Senate under Article II, Section 2. Appointment of magistrates by the judicial council deprives both the President and the Senate of any voice in the selection of individuals who are to exercise Article III powers. This too is a fundamental interference with our system of checks and balances. See the discussion in *Buckley* v. *Valeo*, 424 U.S. 1, 120-33 (1976) (Congress impermissibly encroached on President's appointment power when it gave president *pro tempore* of Senate power to appoint majority of Federal Election Commission's voting members).

The majority suggests that Article II, section 2, contemplates some authority in Congress to permit the courts to appoint magistrates as "inferior officers." The inferior officers clause, however, traditionally has referred to such offices as clerks of court, *Ex parte Hennen*, 38 U.S. (13 Pet.) 230 (1839). *See Go-Bart Co.* v. *United States*, 282 U.S. 344, 352-53 (1931) (commissioners may be appointed by district courts as inferior officers because their actions are "preparatory and preliminary" to disposition of case by judge); *accord Rice* v. *Ames*, 180 U.S. 371 (1901). Such a position is very different from that of the magistrate, who exercises Article III decision making power. Justice Story observed 150 years ago that the issue regarding the appointment of judges had been resolved as a matter of practical construction. Judges of the inferior courts, he said, "are not such inferior officers." Instead, they are "Officers" who must be appointed by the President with the

consent of the Senate. 2 J. Story, *supra*, at 402 n.2. No case until this provision was passed has ever challenged this conclusion.[1]

The lesson of the Framers is that those who exercise the judicial power of the United States under Article III must be Article III judges. The Supreme Court decisions of the last half-century confirm that consensual reference under the Magistrates Act unconstitutionally authorizes the exercise of Article III power by non-Article III officers because it authorizes the magistrates in civil cases to make final decisions as to all matters of fact and law in any case within the civil jurisdiction of the district courts.[2] Contrary to the assertions of the majority here and in *Wharton-Thomas*, the parties' consent does not solve the constitutional problems arising from this wholesale delegation of judicial power to non-Article III judges. Indeed, consent is simply irrelevant to the Supreme

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[1] The only cases cited for the proposition that consensual reference to non-Article III decision makes is constitutionally permitted are four nineteenth century Supreme Court decisions. *See Kimberly* v. *Arms*, 129 U.S. 512 (1889); *Newcomb* v. *Wood*, 97 U.S. (7 Otto) 581 (1878); *Heckers* v. *Fowler*, 69 U.S. (2 Wall.) 123 (1864); *Alexandria Canal Co.* v. *Swann*, 46 U.S. (5 How.) 83 (1847). Not only do these cases contain no separation of powers analysis, they include no mention of Article III whatsoever. *Kimberly* and *Newcomb* concerned reference to special masters or bankruptcy referees over whom the district court exercised review and directed entry of final judgment. *Kimberly*, 129 U.S. at 524-25; *Newcomb*, 97 U.S. at 583. *Heckers* and *Alexandria Canal* involved the common law prodecessors to our present arbitration system, which operates outside the Article III forum. *See* 16 S. Williston, *A Treatise on the Law of Contracts* § 1919 (3d ed. 1976). It elevates these cases beyond their historical context to argue that they constitute Supreme Court approval for the wholesale delegation of Article III judicial power to non-Article III judges.

[2] The Magistrates Act also authorizes magistrates to make final decisions in criminal misdemeanor cases. 28 U.S.C. § 636(a). That provision is not at issue here.

Court's analyses of the proper allocation of judicial power under the Constitution; the judicial power of the United States is conferred upon Article III judges by the Constitution, not by the parties.

In *Crowell* v. *Benson*, 285 U.S. 22 (1932), the majority upheld use of Unemployment Compensation Commissioners to make factual determinations about claims for injuries on navigable waters. The Court held that "the reservation of full authority to the court to deal with matters of law provides for the appropriate exercise of the judicial function in this class of cases." *Id.* at 54. More recently, in upholding on statutory grounds the power of the district courts to refer all Social Security cases to a magistrate under section 636(b) of the Magistrates Act, the majority in *Mathews* v. *Weber*, 423 U.S. 261 (1976), presupposed that the judge makes the final decision. The Court noted that reference of fact-finding duties would improve the judge's decision. "In this narrow range of cases, reference promotes more focused, and so more careful, decisionmaking by the district judge." *Id.* at 274.

United States v. *Raddatz*, 447 U.S. 667 (1980), is even more to the point. That case concerned whether the district court was required to hear witnesses in reviewing a magistrate's suppression motion recommendations under section 636(b) of the Magistrate Act. Chief Justice Burger's reasoning in the majority opinion, which held that the judge who makes the final decision need not hold a hearing, is telling in the present case:

> although the statute permits the district court to give to the magistrate's proposed findings of fact and recommendations 'such weight as [their] merit commands and the sound discretion of the judge warrants,' . . . that delegation does not violate Art. III *so long as the ultimate decision is made by the district court.*

Id. at 683 (emphasis added), quoting *Mathews* v. *Weber*, 423 U.S. at 275).

Justice Marshall's dissent in *Raddatz* viewed the assessment of witness credibility as an essential part of the judicial decision. *Id.* at 694. He echoed the concern of Justice Story, quoted

above, that for the protection of minorities those who render judicial decisions must be independent.

> [I]t is worth remembering that the Framers of the Constitution believed that those protections were necessary in order to guarantee that the judicial power of the United States would be placed in a body of judges insulated from majoritarian pressures and thus able to enforce constitutional principles without fear of reprisal or public rebuke.

Id. at 704.

In the present case, under either the majority or dissenting analyses in *Raddatz*, magistrates deciding entire cases exercise the judicial power in violation of constitutional commands.

Northern Pipeline Construction Co. v. *Marathon Pipe Line Co.*, 458 U.S. 50 (1982), the most recent Supreme Court decision on the exercise of judicial power by non-Article III judges, compels the same conclusion as *Raddatz*. The question in *Marathon* was whether Congress constitutionally could give non-Article III officers authority to adjudicate a bankruptcy case in which a debtor in Chapter 11 proceedings sued a creditor on breaches of contract and warranty claims. *Id.* at 56-57.

Writing for the plurality, Justice Brennan held that Congress's delegation of power to bankruptcy judges was unconstitutional. He reasoned that Congress could create legislative courts without Article III protections in only three limited settings: territorial courts, courts martial, and courts deciding disputes involving public rights that Congress created in the first instance. *Id.* at 64-67. Since the bankruptcy court decided private contests between debtors and creditors, it fit into none of these exceptions and, therefore, it had to be constituted as an Article III court. *Id.* at 76. Like bankruptcy courts, magistrates do not fall within Justice Brennan's three exceptions; magistrate powers extend nationwide to every district court and to all civil cases. For the many reasons discussed thoroughly in the panel opinion in this case, *Pacemaker Diagnostic Clinic* v. *Instromedix, Inc.*, 712 F.2d 1305 (9th Cir. 1983), the

plurality reasoning requires a holding that the consensual reference provision in the Magistrates Act is unconstitutional.

Justice White's dissent in *Marathon* looked to the scope and significance of the subject matter of the litigation to decide whether Article III judges were required. Applying a balancing test to the bankruptcy court, he focused on bankruptcy as a "specialized [area] having particularized needs and warranting distinctive treatment." *Id.* at 115 (quoting *Palmore* v. *United States*, 411 U.S. 389, 407-08 (1973)). Further, he noted that the subject matter delegated to the bankruptcy court would be of "little interest to the political branches." *Id.* at 115.

Consensual reference under the Magistrates Act does not survive Justice White's balance any more than it survives Justice Brennan's analysis for the plurality. The reference provision applies to all civil cases, violating Justice White's concern that Article III give way only in a "specialized area." The types of cases that can be decided under the reference provision are most certainly of interest to the political branches.

Marathon thus extends the line of cases beginning with *Crowell* and continuing through *Raddatz* which, while containing many differences, are all connected by one critical theme: Congress may not delegate away power that properly belongs in the hands of Article III judges. When the power taken from the Article III courts is the power to make final decisions in any type of civil case, as in the Magistrates Act, the reasoning of all of these decisions leads me inescapably to the conclusion that the Constitution has been violated. Just as the Constitution would not permit Congress, with the President's consent, to usurp the executive power, *see Chadha* v. *INS*, 634 F.2d 408, 424 (9th Cir. 1980), *aff'd*, 103 S. Ct. 2764 (1983), so this court should not sanction any consensual abrogation of power, by Congress and litigants, that the Constitution reserves to the independent judiciary.

II. The Magistrate's Dependence on the District Court

The majority in this case and the Third Circuit panel in *Wharton-Thomas* acknowledge that consent of the parties

alone does not cure all of the constitutional ills created by transfer of Article III powers to magistrates who lack Article III protections. *See* majority op. at 12; *Wharton-Thomas* slip op. at 16. They conclude, however, that the district judges' control over magistrates cures any remaining ones. In doing so they focus only upon the threat of erosion of the power exercised by Article III judges and ignore other separation of powers issues. They thus satisfy themselves that the district judges retain their judicial power because district judges maintain, in the words of the majority in this case, "the appearance and the reality of control" over civil cases. Majority op. at 13. That control, we are told, is sufficient, even without statutory guidance as to when and how it is to be exercised, to ensure that withdrawals of references will be made when appropriate. This, according to the majority, is a better system than the district court review of magistrate recommendations approved in *Raddatz*. In my opinion, this "control" makes a bad matter worse.

The majority assumes that district judges will be able to tell when magistrates are making mistakes. The purpose of the consensual reference provision, however, was to relieve district court judges from some of the their decisional responsibilities. If it were possible for district judges to supervise all civil cases to the extent the majority contemplates, there would be no need for magistrates. District judges should be making these decisions in the first instance.

What control by the district court does do is create a severe conflict of interest for the magistrate who is compelled to choose between what the magistrate concludes is right and the result the magistrate thinks will please the district court. Indeed, it is difficult to conceive of greater restraints on the exercise of independent judgment than the provisions in the Act that permit a magistrate to be dismissed, or assignment of a case vacated at any time, by the district court under undefined procedures and malleable standards. 28 U.S.C. § 636(c)(6)(1976 and Supp. V 1981). If there is a greater disincentive to independent action, it is fear that a particular decision, though legally correct, might lead Congress to lower

the pay of all magistrates. That situation, of course, is also possible under this Act.

The constitutional implications of judges controlling other judges outside the appellate process are not unique to this Act. They also have surfaced during the debate of the last twenty years over judicial discipline, removal, and other regulation of conduct by judges.

Strong voices have argued that under our Constitution, no judge should be accountable to any other judge. Judge Irving Kaufman of the Second Circuit, arguing that permitting judges to remove other judges from office frustrates judicial individualism, stated: "Judicial independence, like free expression, is most crucial and most vulnerable in periods of intolerance, when the only hope of protection lies in clear rules setting forth the bright lines that cannot be traversed." Kaufman, *Chilling Judicial Independence*, 88 Yale L.J. 681, 715 (1979). Judge Wallace, of this Circuit, referring to a threat of overzealous programs for judicial efficiency, has written that "it is incumbent upon the judges themselve to fight back" if these programs "interfere with 'total and absolute independence of judges in deciding cases or in any phase of the decisional function.' " Wallace, *Judicial Administration in a System of Independents: A Tribe With Only Chiefs*, 1978 B.Y.U. L. Rev. 39, 56 (quoting J. Covington, *Autonomy* v. *Efficiency—The Continuing Debate on Judicial Supervision of Federal Trial Judges* 43 (July 23, 1973) (unpublished paper)). Professor Kurland declared himself in "wholehearted agreement" with Justice Black's dissent from the denial of a stay in *Chandler* v. *Judicial Council*, 382 U.S. 1003 (1966)(mem.), which stated:

> One of the great advances made in the structure of government by our Constitution was its provision for an independent judiciary—for judges who could do their duty as they saw it without having to account to superior court judges or to anyone else except the Senate sitting as a court of impeachment. . . . We should stop in its infancy, before it has any growth at all, this idea that United States district judges can be made accountable for their efficiency or their lack of it to judges just over them in the federal system. . . .

Chandler, 382 U.S. at 1005-06, *quoted in* P. Kurland, *The Constitution and the Tenure of Federal Judges: Some Notes from History*, 36 U. Chi. L. Rev. 665, 667 (1969).

Some Supreme Court consideration of the issue came in *Chandler* v. *Judicial Council*, 398 U.S. 74 (1970). The recognition of the need to preserve the decision making function independent of the influence of any other judge is reflected in all three opinions in the case. The majority denied a district judge's petition for extraordinary relief from a judicial council order, in which the district judge had acquiesced, withdrawing case assignments. The Chief Justice wrote: "There can, of course, be no disagreement among us as to the imperative need for total and absolute independence of judges in deciding the cases or in any phase of the decisional function." *Id.* at 84. Justice Harlan's concurrence, as well, noted the basic responsibility of judges for "final adjudication of law suits." *Id.* at 110. Justice Douglas' dissent sounded a stronger chord: "Once a federal judge is confirmed by the Senate and takes his oath, he is independent of every other judge. He commonly works with other federal judges who are likewise sovereign." *Id.* at 136.

The majority in the present case, without reference to any of the concerns expressed by all of these judges and scholars, has concluded that the provisions in the Magistrates Act for district judges to control the appointment of magistrates, their reappointment, their assignment of cases, and even the withdrawal of assignments, somehow preserve the independence of decision making. I submit that in reality, the control by the district judges prevents it. If judges are to possess the freedom from political influences of any kind necessary to ensure their ability to decide cases impartially, then, in addition to the express protections of Article III, review of their actions must occur only in accordance with appeal procedures developed under standards of due prodess.

III. The Illusion of Voluntary Consent

The majority acknowledges that consent to trial by magistrate must be voluntary to avoid violating the litigants' rights to an Article III judge. Without citation of authority and

drawing only upon the absence of any complaint of involuntariness in the present case, the majority assumes that consent can always be the product of free choice. This assumption ignores the practical realities behind the Magistrates Act's passage and the very real pressures on district judges to try to channel more and more cases to magistrates.

Congress perceived the Act as a means to cope with increasingly crowded federal court dockets. The legislative history demonstrates that Congress recognized that greater availability of magistrates would induce economically disadvantaged litigants, unable to afford the delay and cost of waiting for adjudication by an Article III judge, to consent to trial before a magistrate. In a Senate Report on the 1979 Act, the Committee on the Judiciary stated:

> The bill recognizes the growing interest in the use of magistrates to improve access to the courts for all groups, especially the less-advantaged. The *latter lack the resources to cope with the vicissitudes of adjudication delay and expense.*

S. Rep. No. 74, 96th Cong., 1st Sess. 4, *reprinted in* 1979 U.S. Code Cong. & Ad. News 1469, 1472 (emphasis added).

Such economic coercion will be joined by coercion on litigants from the district courts themselves. It ignores reality to suppose that at least some busy district courts will not control their dockets by pressuring litigants to consent to trial before a magistrate. The steady growth in the use of magistrates has been well documented. From 159 full-time magistrate positions authorized for 1978, the number has risen to 223. *See* 1977 Annual Report of the Director of the Administrative Office of the United States Courts at 28 (Report); 1983 Report at 200. While the majority and the Third Circuit in *Wharton-Thomas*, slip op. at 17-18, recognize that pressure on parties to submit cases increases in direct proportion to the number of magistrate positions, the majority argues that the process can be reversed when the situation becomes intolerable. Majority op. at 19. I cannot agree. The Constitution should prevent this type of coercion from ever occurring.

The Senate Report's explicit intent to induce the poor to choose magistrates is matched by an equally unsettling expression in a House Report that cases which do not require sophisticated legal knowledge should be given to magistrates, rather than to Article III judges.

> [A]t their choice, partices can utilize the particular advantages of magistrates and judges. There are cases which do not require those special attributes of Article III judges, but nonetheless do require an impartial generalist to resolve issues of importance to the parties.

H. Rep. No. 1364,. 95th Cong., 2d Sess. 12 (1978). Reflecting the philosophy that Article III judges should be reserved for complicated disputes, the district courts have adopted rules referring to magistrates for recommended findings grievances between individuals and the government, including civil rights cases and habeas corpus. *See, e.g.*, D. Ariz. R. 17(c) (habeas corpus, other post-conviction petitions, prisoner civil rights); C.D. Cal. R. 1.0 (entitlement to Social Security benfits, immigration, civil rights actions under 42 U.S.C. §§ 1981-1986, habeas corpus, judgment debtor proceedings, and others); D. Col. R. 17(f) (all prisoner petitions).

Yet Hamilton's vision was that independent judges exercise Article III judicial power to decide all cases in which the operation of our laws is claimed to work an injustice, not just cases that some view as more important:

> But it is not with a view to infractions of the Constitution only that the independence of the judges may be an essential safeguard against the effects of occasional ill humors in the society. These some times extend no farther than to the injuries of the private rights of particular classes of citizens, by unjust and partial laws. Here also the firmness of the judicial magistracy is of vast importance in mitigating the severity, and confining the operation of such laws.

The Federalist No. 78, at 529 (J. Cooke ed. 1961).

A comparison of that simple statement with the confused allocation of responsibility between Article III judges and magistrates under this Act demonstrates how far we have veered from the course the Constitution charted.

In my opinion, the panel correctly decided that the consensual reference of civil cases to a magistrate violates the Constitution.

FILED
FEB 16 1984
PHILLIP B, WINBERRY
CLERK, U.S. COURT OF APPEALS

Pacemaker Diagnostic Clinic of America, Inc. v. *Instromedix, Inc.*, 82-3152/3182

PREGERSON, Circuit Judge, dissenting:

I join Judge Schroeder's incisive dissent. I write separately only to add that, in my view, magistrates should be made Article III judges.

Although they hold different titles, federal judges and federal magistrates vow to perform their respective duties pursuant to the same oath of office which includes the obligation to "administer justice without respect to person, and [to] do equal right to the poor and to the rich."[1]

Under 28 U.S.C. § 636(c) (Supp. V. 1981), the federal district courts, with Congress's approval, have delegated to federal magistrates a significant share of the judicial business of the United States that, although it involves ordinary people, is very important. Magistrates typically hear cases involving entitlement to social security benefits, deportation orders under the immigration laws, discharges from the civil and

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[1] 28 U.S.C. § 631(g) (Supp. V 1981) requires magistrates to take the same oath that Justices and judges of the United States must take under 28 U.S.C. § 453 (1976), which reads:

> I, [name of oath-taker] do solemnly swear (or affirm) that I will admister justice without respect to persons, and do equal right to the poor and to the rich, and that I will faithfully and impartially discharge and perform all the duties incumbent upon me as [title of office] according to the best of my abilities and understanding, agreeably to the Constitution and laws of the United States. So help me God.

military services, civil rights claims arising under both the Constitution and 42 U.S.C. §§ 1981-1986 (1976), and petitions for habeas corpus. *See, e.g.*, C.D. Cal. Gen. Order No. 194, R. 1.0. Even though magistrates perform important judicial functions, the mantle of independence essential to Article III decisionmaking has been withheld.

To correct this situation, magistrates should be awarded Article III protections commenserate with the Article III work that they now so commendably perform.

APPENDIX C

For Publication

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

C.A. Nos. 82-3152,
82-3182

D.C. No. CV 79-601-JU

PACEMAKER DIAGNOSTIC CLINIC OF AMERICA, INC.,
a Tennessee Corporation,
Plaintiff-Appellant, Cross-Appellee,

v.

INSTROMEDIX, INC., an Oregon Corporation,
Defendant-Appellee, Cross-Appellant.

OPINION

FILED

AUG 5 1983

PHILLIP B. WINBERRY
CLERK, U.S. COURT OF APPEALS

Appeal from the United States District Court
for the District of Oregon
Hon. George E. Juba, United States Magistrate, Presiding

Argued—January 5, 1983
Submitted—March 31, 1983

Before: FERGUSON, BOOCHEVER, and NORRIS, Circuit Judges.

BOOCHEVER, Circuit Judge:

This case concerns the constitutionality of section 636(c) of the Magistrates Act which allows magistrates, with consent of

the parties to the litigation, to conduct civil trials and enter judgments. 28 U.S.C. § 636(c) (Supp. V 1981). Because this procedure offends article III of the Constitution, we reverse and remand for *de novo* review by the district court.

FACTS

Pacemaker Diagnostic Clinic of America, Inc. charged Instromedix, Inc. with infringement of a patent. Instromedix denied infringement and alleged that the patent was invalid. The parties consented to have the case tried by a magistrate sitting without a jury. The magistrate found the patent valid, but not infringed.[1] Both parties appealed to this court. We raised the issue of the magistrate's jurisdiction *sua sponte* because of the possible unconstitutionality of 28 U.S.C. § 636(c), which empowered the magistrate to enter judgment in this case.[2] Because we hold that the provision is unconstitutional, we do not reach the merits of the patent issues.

DISCUSSION

I.

Background

Article III of the United States Constitution vests the judicial power in the Supreme Court and in such inferior courts as Congress may establish. It provides that the judges shall hold their offices during good behavior and shall not have their compensation diminished during their continuance in office. Because the office of federal magistrate is not similarly protected, we must decide whether an amendment to the Magistrates Act runs afoul of the article III dictates. The 1979 amendments to the Magistrates Act added, among other changes, 28 U.S.C. § 636(c), which confers judicial power on

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[1] *But see Mobil Oil Corp.* v. *Filtrol Corp.*, 601 F.2d 282, 293-94 (9th Cir. 1974).

[2] The court would like to thank the parties and the *amici curiae*, the Department of Justice and the Oregon State Bar, for their helpful briefs on this difficult issue.

the magistrates, with consent of the parties, to conduct any or all proceedings in a jury or nonjury civil case and order the entry of judgment. 28 U.S.C. § 636(c)(1). The magistrate must be specially designated by the district court to exercise this jurisdiction. *Id.* Procedures are set up to prevent district judges or magistrates from coercing the parties to give their consent. 28 U.S.C. § 636(c)(2). The district judge has the power to vacate the reference of the case to the magistrate. 28 U.S.C. § 636(c)(6). Appeals from the magistrate's judgment may be taken to the court of appeals in the same manner as an appeal from any other judgment of the district court. 28 U.S.C. § 636(c)(3). Alternatively, the parties may consent to have the appeal heard by the district court. 28 U.S.C. § 636(c)(4).

Even before the 1979 amendments, magistrates were allowed to conduct entire trials in some districts.[3] 28 U.S.C. § 636(b)(3) (1976), still in effect, allows a district judge to assign a magistrate duties that are not inconsistent with the Constitution and laws of the United States. In this circuit, *Coolidge* v. *Schooner California*, 637 F.2d 1321 (9th Cir.), *cert. denied*, 451 U.S. 1020 (1981) interpreted this language as broad enough to allow a magistrate to conduct entire trials. To be consistent with the statute and the constitution, however, the district judge must engage in a *de novo* review of the proceedings. In this way, it is the district judge and not the magistrate who exercises the article III powers. *See also Britt* v. *Simi Valley Unified School District*, No. 81-5284, slip op. at 2781-82 (9th Cir. June 13, 1983) (per curiam).

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[3] *E.g.*, *Muhich* v. *Allen*, 603 F.2d 1247 (7th Cir. 1979); *De Costa* v. *Columbia Broadcasting Systems, Inc.*, 520 F.2d 499 (1st Cir. 1974), *cert. denied*, 423 U.S. 1073. *See also* Hearing before the Subcommittee on Improvements in Judicial Machinery of the Senate Committee on the Judiciary, 96th Cong., 1st Sess. 16 (1979) (statement of Chief Judge Skopil, District of Oregon) (concerning practice in District of Oregon prior to 1979 amendments).

By contrast, the 1979 addition of 28 U.S.C. § 636(c), here in issue, explicitly allows trial by magistrate, but does not provide for *de novo* review by the district judge.[4]

To the same effect as *Coolidge* is *United States* v. *Raddatz*, 447 U.S. 667 (1980). *Raddatz* concerned the constitutionality of 28 U.S.C. § 636(b)(1)(B), which permits a district court to refer to a magistrate a motion to suppress evidence in a criminal case. Under that subsection, the magistrate conducts a hearing and submits proposed findings of fact and recommendations for disposition. The parties may file objections. The district court judge is then charged with making a *de novo* determination of the portions of the magistrate's report to which objection is made. The judge may freely accept or disregard the magistrate's finding and may take additional evidence. The Supreme Court found that because the district judge made the final determination, due process and article III rights were adequately protected. The Court declined to decide whether Congress could have delegated the task of rendering a final decision to a non-article III officer. 447 U.S. at 681.[5] We must address that issue in the present case.

II.

The Exercise Of Article III Powers By Magistrates

The Supreme Court recently addressed the issue of the exercise of judicial power by non-article III officers in *Northern Pipeline Construction Co.* v. *Marathon Pipeline Co.*, U.S. ——, 102 S. Ct. 2858 (1982).[6] A plurality of the Supreme Court

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[4] The court in *Coolidge* explicitly declined to state an opinion on the constitutionality of 28 U.S.C. § 636(c). 637 F.2d at 1324 n.2.

[5] Only Justice Marshall, joined in dissent by Justice Brennan, reached this issue. 447 U.S. at 703-11. They concluded that magistrates may not enter final judgments.

[6] The justices did not agree upon an Opinion of the Court. Four justices agreed to the plurality opinion; two justices concurred in the judgment, with opinion; three justices dissented, with opinion; and Chief Justice Burger also dissented in a separate opinion.

plus two concurring justices held the bankruptcy court system to be unconstitutional. The plurality reasoned that bankruptcy judges were not article III judges, that the bankruptcy courts were not constituted as article I courts, and that the bankruptcy courts could not properly be considered "adjuncts" to the district courts. The plurality also held that the invalidity of the bankruptcy courts would only be applied prospectively. The *Northern Pipeline* analysis mandates a similar result in our case.

A. Lack Of Article III Attributes

Magistrates are clearly not article III judges. *United States* v. *Jenkins*, Nos. 82-1352, slip op. at 3108 n.1 (9th Cir. June 28, 1983); *United States* v. *Saunders*, 641 F.2d 659, 663 (9th Cir. 1980), *cert. denied*, 452 U.S. 918 (1981). Article III judges are distinguished by life tenure during good behavior and salary protection. U.S. Const. art. III, § 1. Life tenure and salary protection serve the purpose of protecting the independence of the Judiciary. *Northern Pipeline*, 102 S. Ct. at 2864-66. By contrast to article III judges; federal magistrates serve for eight year terms and must retire at age seventy. 28 U.S.C. §§ 631(d), (e) (Supp. V 1981). Magistrates may also be removed from office during a term for incompetency, misconduct, neglect of duty, or physical or mental disability, and a sitting magistrate's office may be terminated if the Judicial Conference decides that the office is no longer needed. 28 U.S.C. § 631(i) (Supp. V 1981). The salaries of magistrates are also not protected. Salaries may be changed by the Judicial Conference to further the expeditious administration of justice. 28 U.S.C. § 633(c) (Supp. V 1981).[7]

B. Article I Courts

Article I of the Constitution empowers Congress to establish legislative courts separate from the article III system. U.S.

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[7] 28 U.S.C. § 634(b) limits the flexibilty in adjusting the magistrates' salaries. A magistrate's salary may be reduced during his term in office but not below what it was at the beginning of the term. *Id.*

U.S. Const. art. I, § 8, cl. 9. The magistrate system does not qualify under this provision. As explained in *Northern Pipeline*, Congress may only establish separate courts in a limited class of cases "in which the grant of power to the Legislative and Executive Branches was historically and constitutionally so exceptional that the congressional assertion of a power to create legislative courts was consistent with, rather than threatening to, the constitutional mandate of separation of powers." 102 S. Ct. at 2868. Examples include courts for the territories and the District of Columbia, courts martial, and legislative courts and administrative agencies created to adjudicate cases involving "public rights." *Northern Pipeline*, 102 S. Ct. at 2868-71. The delegation to the magistrates is not so limited, as they may try any jury or nonjury matter with the consent of the parties. 28 U.S.C. § 636(c)(1).[8] Therefore, 28 U.S.C. § 636(c) cannot be construed as establishing legislative courts.

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[8] The parties note that the underlying dispute here concerns patent law. The plurality in *Northern Pipeline* conceded the ablity of Congress to create article I courts in certain specialized areas. For example, in the case of court martials, the political branches of governments possesss extraordinary, constitutionally recognized control over the subject matter at issue. U.S. Const. art. I, § 8, cls. 13, 14, art. II, § 2, cl. 1, amend. V. Congress' power to grant patents is also explicitly authorized in the Constitution. U.S. Const. art. I, § 8, cl. 8. The plurality refused, however, to allow Congress to set up non-article III legislative courts pursuant to all of its enumerated powers. For example, the power to regulate bankruptcies is also committed to Congress in the Constitution, U.S. Const. art. I, § 8, cl. 4, but the plurality still rejected the bankruptcy courts as special legislative courts.

Secondly, it is only coincidental that this case concerns patents. Magistrates have the power to try *any* jury or nonjury civil matter, not just patent cases. 28 U.S.C. § 636(c)(1).

C. Magistrates As Adjuncts Of The District Court

It is also contended that 28 U.S.C. § 636(c) establishes the magistrates as "adjuncts" to the district courts.[9] The *Northern Pipeline* plurality reviewed *Crowell* v. *Benson*, 285 U.S. 22 (1932), and *United States* v. *Raddatz*, 447 U.S. 667 (1980), cases where Congress' use of administrative agencies and magistrates as adjuncts to article III courts had been upheld. The plurality took these cases as establishing two methods under which Congress may constitutionally vest traditionally judicial functions in non-article III officers. The first is that when Congress creates a substantive federal right, it possesses substantial discretion to prescribe the manner in which that right may be adjudicated. No newly created substantive federal rights are involved here, as the magistrates are empowered to try any federal case within the jurisdiction of the district courts. Therefore, section 636(c) cannot be justified on this ground. The second method, crucial here, is by a restricted delegation whereby,

> the functions of the adjunct must be limited in such a way that "the essential attributes" of judicial power are retained in the Art. III court. Thus in upholding the adjunct scheme challenged in *Crowell*, the Court emphasized that to deal with matters of law provides for the appropriate exercise of the judicial function in this class of cases." *Ibid.* And in refusing to invalidate the Magistrates Act at issue in *Raddatz*, the Court stressed that under the congressional scheme " '[t]he authority—and the responsibility—to make an informed, final determination . . . remains with the judge,' " 447 U.S., at 682, quoting *Mathews* v. *Weber*, 423 U.S. 261, 271 (1976); the statute's delegation of power was therefore permissible, since "the

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[9] In *United States* v. *Jenkins*, No. 82-1352 (9th Cir. June 28, 1983), the government contended that magistrates are adjuncts to the district court and that consent by a criminal defendant to trial before a magistrate waives the right to trial before an article III judge. The court declined to reach these issues, slip op. at 3108, holding instead that the constitution does not require that crimes committed on a federal enclave to be tried before an article III judge, slip op. at 3109-10. *Jenkins* thus left these issues open.

ultimate decision is made by the district court," 447 U.S., at 683.

Northern Pipeline, 102 S. Ct. at 2876-77. The plurality also stated, "[c]ritical to the Court's decision to uphold the Magistrates Act was the fact that the ultimate decision was made by the district court. 447 U.S., at 683." 102 S. Ct. at 2877. *See also Mathews* v. *Weber*, 423 U.S. 261, 271 (1976).

This is precisely the problem with 28 U.S.C. § 636(c). The magistrate makes the ultimate decision and enters a final judgment. Thus the provision cannot pass constitutional muster as authorizing an adjunct function of the district court.

III.

Possible Saving Provisions

The use of magistrates to conduct trials and enter final judgment implicates both due process and article III concerns. We recognize that a due process right may be waived voluntarily,[10] but there is more at stake here than the litigants' due process right to a decision by an article III judge. We believe that the Constitution establishes a framework of government that cannot be altered by statute nor waived by litigant consent. The independence of the judiciary, the distribution of power, and the separation of powers are at issue here. With these concerns in mind we consider the possible constitutional saving devices.

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[10] *See, e.g., Garner* v. *United States*, 424 U.S. 648, 653 (1975) (right against self-incrimination); *Schnekloth* v. *Bustamonte*, 412 U.S. 218, 222 (1973) (unreasonable searches); *Barker* v. *Wingo*, 407 U.S. 514, 529 (1972) (right to speedy trial); *Adams* v. *United States*, 317 U.S. 269 (1942) (right to jury trial and assistance of counsel); Fed. R. Civ. P. 38(d) (right to jury trial).

A. Litigant Consent

The strongest argument in favor of constitutionality is based on the requirement of litigant consent.[11] The Act provides that the parties must give their consent before a magistrate may conduct a trial and enter a final judgment. 28 U.S.C. § 636(c)(1).

No case squarely holds that litigant consent will solve the constitutional problems.[12] In *Kimberly* v. *Arms*, 129 U.S. 512 (1889), the Supreme Court held that upon the consent of the

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[11] The commentators are split on whether litigant consent cures the article III difficulties. Arguing that consent is effective to solve the constitutional problems are McCabe, *The Federal Magistrate Act of 1979*, 16 Harv. J. on Legis. 343, 374-79 (1979); Silberman, *Masters and Magistrates Part II: The American Analogue*, 50 N.Y.U.L. Rev. 1297, 1350-54 (1975) and Comment, *An Adjudicative Role for Federal Magistrates in Civil Cases*, 40 U. Chi. L. Rev. 584 (1973). Taking the contrary view are Comment, *Article III Limits on Article I Courts: The Constitutionality of the Bankruptcy Court and the 1979 Magistrate Act*, 80 Colum. L. Rev. 560, 592-96 (1980) and Comment, *Article III Constraints and the Expanding Civil Jurisdiction of Federal Magistrates: A dissenting View*, 88 Yale L.J. 1023, 1047-61 (1979).

[12] *Heckers* v. *Fowler*, 69 U.S. (2 Wall.) 123 (1864) does not so hold. In *Heckers*, the parties agreed to refer the case to a referee, with the report of the referee to have the same force and effect as a judgment of the court. The parties agreed that on filing the report with the clerk of the court, judgment should be entered in conformity therewith, the same as if the case had been tried to the court. However, the opinion makes clear that the court must review the report and decide whether or not to accept it.

> Judgment, however, cannot in general be entered in conformity to the report or award until it is accepted or confirmed by the court. Reason for the rule is, that whenever it is presented, and before it is accepted, the party against whom it is made may object to its acceptance, . . . Hearing is then had, and after the hearing the court may accept or reject the report; or, if either party desires it, the report may, for good cause shown, be recommitted.

69 U.S. (2 Wall.) at 133 (footnote omitted).

parties a master could hear the matter and report findings of fact and law to the judge. Responsibility for the ultimate decision remained with the judge, however, and so "judicial" power was not vested in the master. To the same effect are the *Coolidge* and *Raddatz* cases, previously discussed.

The analogy to arbitration has been suggested. If the parties can agree to submit their controversy to an arbiter, bypassing the article III judiciary altogether, the argument runs, they should also be able to authorize a magistrate to resolve their case. The analogy is inapt. When the parties use an arbiter, they do not invoke the judicial power of the United States courts. An arbiter may render a decision, but its effects flow from the parties' contractual agreement to abide by it, not from an exercise of judicial power. The arbiter has no authority to enter a judgment, and the parties must look to the courts for enforcement of an arbitration award. Also, an arbiter's decision is generally not subject to judicial review on the merits. *See, e.g., United Steelworkers of America* v. *Enterprise Wheel & Car Corp.*, 363 U.S. 593, 596 (1960). By contrast, when parties agree to trial by magistrate, they are invoking the judicial system.[13] The parties use the judicial process, and the magistrate enters a judgment in the name of the court. 28 U.S.C. § 636(c)(1), (3). The magistrate's opinion is subject to review on the merits. 28 U.S.C. § 636(c)(3), (4).

The basis of the consent argument is that the right to an article III judge is a due process right, inuring to the benefit of litigants, and therefore waivable like any other due process right. *See* footnote 10 *supra*. *Glidden Co.* v. *Zdanok*, 370 U.S. 530 (1962) refutes this contention. In *Glidden*, the Supreme Court reviewed cases in which a judge of the Court of Claims sat by designation on a panel of the second circuit and a judge of the Court of Customs and Patent Appeals presided by designation over a trial in the federal district court. Prior to *Glidden*, judges of the Court of Claims and of the Court of Customs and

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[13] *Muhich* v. *Allen*, 603 F.2d 1247, 1253 (7th Cir. 1979 (Swygert, J., dissenting).

Patent Appeals had been held to be article I judges.[14] The Supreme Court found no constitutional infirmity because it held that these courts had been reconstituted as article III courts. The Court indicated that article I judges may not bind litigants in article III courts, no matter how fairly they run the proceedings. The plurality specifically praised the qualifications, fairness, and impartiality of the judges involved. 370 U.S. at 533 (plurality opinion). Due process had been satisfied by the lower court proceedings. If the right to an article III judge was only a due process right, the plurality would have terminated its discussion by noting the fair proceedings. *See* 370 U.S. at 533.

The Court's opinion in *United States* v. *Raddatz*, 447 U.S. 667 (1980) makes it clear that the displacement of article III judges by magistrates implicates both due process and article III concerns. The Court noted that having magistrates conduct suppression hearings satisfied due process by providing a hearing appropriate to the nature of the case; *Id.* at 677-81. If only due process were at stake, the Court's inquiry would have then ended. Instead, the Court went on to discuss the article III objections to magistrates holding such hearings, *id.* at 681-83, concluding that the article III demands are satisfied where "the ultimate decision is made by the district court." *Id.* at 683.[15]

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[14] *Williams* v. *United States*, 289 U.S. 553 (1933); *Ex Parte Bakelite Corp.*, 279 U.S. 438 (1929).

[15] Additional support comes from *Patton* v. *United States*, 281 U.S. 276 (1930), which concerned the ability of a criminal defendant to waive an aspect of article III, right to trial by jury. The Court phrased the issue as follows:

> We come, then, to the critical inquiry: Is the effect of the constitutional provisons in respect of trial by jury to establish a tribunal as a part of the frame of government, or only to guaranty to the accused the right to such a trial?

Id. at 293. *See also id.* at 288. This phrasing indicates that some article III rights do relate to the framework of government and may not be waived by the parties. *See also id.* at 294 (quoting *Low* v. *United States*, 169 F. 86, 92 (6th Cir. 1909) Lurton, J.)).

By analogy, two adverse parties from the same state cannot waive the diversity of citizenship requirement and establish jurisdiction in the federal courts.[16] Likewise, litigants cannot waive the jurisdictional requirement of an article III court.

Article III protects institutional concerns of our system of government that due process addresses only incidentally. *See Northern Pipeline*, 102 S. Ct. at 2865 & n.10-2866. For example, if Congress created an administrative agency empowered to hold fair trials in all diversity cases, due process might be satisfied even though such trials would threaten constitutional policies concerning the separation of powers, the distribution of governmental power, and the protection of judicial independence. Under those circumstances the delegation to an administrative agency would be unconstitutional, even though complying with due process.

Therefore, rather than being exclusively a due process right of the litigants waivable by them, the requirement of an article III judge is jurisdictional and thus not waivable.

B. Internal Delegation

One of the dangers of diluting article III jurisdiction is the threat to the separation of powers. For example, when cases involving more than the rights of the parties before the court are committed to administrative agencies which exist at the pleasure of the political branches, there is a possibility that the exercise of judicial power will be subject to influence by those political branches. However, here the magistrates are a part of the judicial branch and it is argued that if their independence is in question, they are under the control of judges, not Congress or the President. Litigants and judges, both within the judicial branch, and not Congress or the President, decide which cases go to a magistrate rather than to an article III judge. 28 U.S.C. § 636(c). Therefore, it is argued that the magistrate system

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[16] *See Jackson* v. *Ashton*, 33 U.S. (8 Pet.) 148, 149 (1834) (parties cannot waive lack of subject matter jurisdiction by consent); *Mansfield, C. & L. M. Ry. Co.* v. *Swan*, 111 U.S. 379 (1884) (by estoppel); *Mitchell* v. *Maurer*, 293 U.S. 237, 244 (1934) (by failure to object).

poses no separation of powers problem. Threats to the judicial decisionmaker's independence from within the judicial branch, however, may be just as serious as those from the executive or legislative branches. Magistrates might be wary of delivering unpopular opinions if the results of such decisions were curtailment of their authority, future reference in only the most mundane or onerous cases or failure to be reappointed. *See* Comment, *Article III Limits on Article I Courts: The Constitutionality of the Bankruptcy Court and the 1979 Magistrate Act*, 80 Colum. L. Rev. 560, 591 (1980); *Northern Pipeline*, 102 S. Ct. at 2865 n.10 ("The guarantee of life tenure insulates the individual judge from improper influences not only by other branches but by colleagues as well.")

A more direct answer is that the magistrates are not insulated from legislative pressures. Their salaries[17] and their very office depend on congressional action.

"Moreover, the internal delegation argument ignores the plain import of article III's language, which authorizes article III judges, and not their delegates, to exercise judicial power." Comment, *Article III Limits on Article I Courts: The Constitutionality of the Bankruptcy Court and the 1979 Magistrate Act*, 80 Colum. L. Rev. 560, 590 (1980) (footnote omitted).

We conclude that internal delegation does not elevate § 636(c) to the attributes demanded by article III.

C. Appellate Review

The argument is made that article III is satisfied because the magistrate's decision can be appealed to an article III court, either to the district court or to the court of appeals. 28 U.S.C. § 636(c)(3)-(5); *see Crowell* v. *Benson*, 285 U.S. 22 (1932).

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[17] Magistrates' salaries are set by the Judicial Conference and may not be reduced below the level at the beginning of a magistrate's term in office. 28 U.S.C. §§ 633(c), 634(a), (b). This protection is only statutory and may be repealed by Congress at any time. This is, of course, true of the manner of appointment as well.

The Supreme Court implicitly rejected this contention in *Glidden Co.* v. *Zdanok*, 370 U.S. 530 (1962). In one of the two cases consolidated for hearing in *Glidden*, a retired judge of the Court of Customs and Patent Appeals, sitting by designation in the U.S. district court, presided over a criminal trial. The Court was not swayed by the fact that the case had been heard on appeal by two article III courts, the court of appeals and the Supreme Court itself. *See also Ward* v. *Village of Monroeville*, 409 U.S. 57, 61-62 (1972).

Northern Pipeline even more emphatically rejects the appellate review argument. The Bankruptcy Reform Act of 1978 provided for appeals from the bankruptcy court either directly to the district court and then to the court of appeal or alternatively to a panel of bankruptcy judges. 28 U.S.C. §§ 1293, 1334, 1482 (Supp. V 1981). Justice White in dissent suggested that these provisions for appellate review by article III courts satisfied article III objections. 102 S. Ct. at 2894 (White, J., dissenting). The plurality labelled this reasoning "incorrect." 102 S. Ct. at 2873 n.23 (plurality opinion). The plurality later stated that the text of article III and the Court's "precedents make it clear that the constitutional requirements for the exercise of judicial power must be met at all stages of adjudication, and not only on appeal." 102 S. Ct. at 2879 n.39.

We conclude that appellate review by the district court and the court of appeals will not save section 536(c).

IV.

Retroactivity

Having held 28 U.S.C. § 636(c) unconstitutional, we must consider whether the holding should be applied retroactively or only propsectively. The question is of enormous importance, as hundreds of cases across the country have been tried by magistrates with the consent of the parties.[18]

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[18] According to figures provided by the Justice Department, federal magistrates terminated 262 jury and 563 nonjury trials with the consent of the parties in the year ending June 30, 1983. The magis-

Northern Pipeline applied its holding that bankruptcy courts are unconstitutional prospectively. In doing so, the plurality considered three factors. The first is whether the holding in question decided an issue of first impression whose resolution was not clearly foreshadowed by earlier cases. The second is whether retrospective operation would further or retard the operation of the holding in question. The third is whether retroactive application could produce substantial inequitable results in individual cases. 102 S. Ct. at 2880 (quoting *Chevron Oil Co.* v. *Huson*, 404 U.S. 97, 106, 107 (1971)).

It might be argued that our holding was foreshadowed by *Northern Pipeline*. In light of the weight of the arguments on both sides, the complexity of the issue, and the fact that other provisions of the 1979 Magistrates Act have been held constitutional,[19] we find that the result was not "clearly foreshadowed."

Retroactive application would not further the operation of the holding. It is very clear that retroactive application would visit substantial injustice and hardship upon those litigants who relied upon the 1979 Act's vesting of jurisdiction in the magistrates. We hold that our decision shall not apply to all cases of this circuit that have been finally disposed of on appeal or those for which the time for appeal has run.

CONCLUSION

The judgment of the magistrate is vacated. Our holding prohibits magistrates from entering judgments, a function reserved for article III officers. It is clear that a magistrate may perform the lesser functions of presiding over a trial and

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trates also terminated 1627 consent cases without trial. Administrative Office of the United States Courts, Consent Cases Terminated by U.S. Magistrates—Year Ended June 30, 1982.

[19] *United States* v. *Raddatz*, 447 U.S. 667 91980); *United States* v. *Jenkins*, No. 82-1352, Slip op. at 3108-10 (9th Cir. June 28, 1983); *Coolidge* v. *Schooner California*, 637 F.2d 1321 (9th Cir.), *cert. denied*, 451 U.S. 1020 (1981).

recommending a disposition, so long as the ultimate decision is made by the district judge. *Coolidge* v. *Schooner California*, 637 F.2d 1321, 1325 (9th Cir.), *cert. denied*, 451 U.S. 1020 (1981). Because the parties substantially and in good faith relied on the power of the magistrate to hear the case, and there is a constitutionally valid procedure available, we remand the case to the district judge to review the decision of the magistrate in the manner provided by 28 U.S.C. § 636(b)(1). Any further appeal in this case should be referred to this panel because of its familiarity with the underlying patent issues.

VACATED and REMANDED.

APPENDIX D

For Publication

No. 82-3152, 82-3182

D.C. # CV 79-601-JU

PACEMAKER DIAGNOSTIC CLINIC OF AMERICA, INC.,
Plaintiff-Appellant-Appellee,

v.

INSTROMEDIX, INC.,
Defendant-Appellee-Appellant.

ORDER

FILED

SEP 06 1983

PHILLIP B. WINBERRY
CLERK, U.S. COURT OF APPEALS

Before: FERGUSON, BOOCHEVER, and NORRIS, Circuit Judges.

It is hereby ordered that the opinion in the above-entitled case is amended by deleting the sentence commencing at page 16, line 18, such sentence reading as follows:

> Any further appeal in this case should be referred to this panel because of its familiarity with the underlying patent issues.

APPENDIX E

UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

Nos. 82-3152,
82-3182

PACEMAKER DIAGNOSTIC CLINIC OF AMERICA, INC.,
Plaintiff-Appellant-Appellee,

v.

INSTROMEDIX, INC.,
Defendant-Appellee-Appellant.

ORDER

FILED
OCT 3 1983
PHILLIP B. WINBERRY
CLERK, U.S. COURT OF APPEALS

Before: FERGUSON, BOOCHEVER, and NORRIS, Circuit Judges.

It is hereby ordered that the opinion in the above-entitled case, cited at 712 F.2d 1305, is amended by changing the second sentence of the CONCLUSION, at 712 F.2d 1314, column one, to read as follows:

> Our holding prohibits magistrates from rendering final decisions in civil cases, a function reserved for article III officers.

APPENDIX F

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF OREGON

Civil No. 79-601-JU

PACEMAKER DIAGNOSTIC CLINIC OF AMERICA, INC.,
a Tennessee Corporation,

Plaintiff,

v.

INSTROMEDIX, INC., an Oregon Corporation,

Defendant.

OPINION

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JUBA, Magistrate:

This is an action for infringement of Kennedy U.S. Patent No. 3,885,552 on the invention of Dr. James Kennedy, pursuant to the patent laws of the United States, 35 U.S.C. § 271 *et seq.* This court has jurisdiction pursuant to 35 U.S.C. § 281 and 28 U.S.C. § 1338(a). The parties have consented to trial by a U.S. Magistrate.

On May 27, 1975, the Kennedy patent was issued to plaintiff Pacemaker Diagnostic Clinic of America, Inc. (PDC), as assignee, on an application filed November 16, 1972 by Dr. Kennedy. The patent is entitled "Cardiac Function Monitoring System and Method for Use in Association with Cardiac Pacer Apparatus." Since the issuance of the patent, PDC has been and continues to be the owner by assignment of the Kennedy patent.

Defendant Instromedix, Inc. manufactures and sell devices known as "Pacer-Tracer Pulse Width Transmitter" and "Pacer-Tracer Pulse Width II Transmitter." Instromedix is charged with infringement of claims 1, 16, 22, 23, and 24 of the Kennedy patent by reason of its manufacture and sale of these devices.

The defendant denies infringement and seeks a declaration that the Kennedy patent is invalid because of obviousness under 35 U.S.C. § 103, because the Kennedy patent was anticipated under 35 U.S.C. § 102, and because the claims of the patent are not supported by specifications as required by 35 U.S.C. § 112.

I find that the defendant has not met its burden of proving that U.S. Patent No. 3,885,552 is invalid and further find that defendant has not infringed U.S. Patent No. 3,885,552.

I. THE BACKGROUND AND STATE OF THE ART

This case involves apparatus for monitoring the operation of cardiac pacers by telephone. Operation of a normally functioning heart is regulated by electrial signals naturally produced

by the heart. These electrical signals stimulate the chambers of the heart to cause them to pump blood. Many persons, particularly the elderly, experience problems in that their hearts do not produce adequate electrial signals to regulate their cardiac function.

Cardiac pacers, or pacemakers, are surgically implanted in patients to correct problems with natural pacemakers or more commonly to correct blockage of the atrio-ventricular node (A.V. node). The A.V. node is an electrical pathway between the ventricles and the atria. In a healthy heart, the electrical impulses from the natural pacemaker cause the atria to contract, pumping blood into the ventricles. The shock waves from this electrial signal then pass through the A.V. node causing the ventricles to contract, thereby pumping blood into the ventricles and out of the heart. When the A.V. node is blocked, the ventricles contract at a much slower rate. The artificial pacemaker corrects this blockage by emitting an electrical impulse at a rate of about 70 beats per minute, thereby stimulating the ventricles at the same rate that the natural pacemaker stimulates the atria.

Implantation of cardiac pacers became acceptable medical practice in the early 1960's. From the time of the first implants pacer patients have had continuing medical follow-up to detect impending battery failures and other failures in components of pacers. Most pacers are designed to show a change in firing rate when the battery voltage begins to drop. This change provides an indication of impending battery failure.

A variety of routing monitoring is performed as follow-up to pacer implantation surgery. Commonly, the physician will analyze the functions of the heart by taking an electrocardiogram (EKG). An EKG is a graphic record made by an electrocardiograph, showing how voltages due to the electrical activity of the heart vary with time. It is essentially a "picture" of the patient's heart beat. If an EKG is made on a patient having an implanted cardiac pacer, the electrical activity of the pacer also appears on the EKG. Pacer pulses are manifested on the EKG as a spike-shaped artifact.

Follow-up of pacer patients consisting of recording EKGs and measuring the firing rate of the pacers was acceptable medical practice during the 1960s. However, those continuing with research such as Doctors Escher and Furman at Montefiore Hospital in New York and Doctor Parsonnet at Beth Israel Hospital in Newark began using electronic analysis of the pulse generated by the pacer to detect both unanticipated pacer failure and to insure maximum longevity of pacer implants. The researchers found that the pulse amplitude and width (duration) as well as repetition rate were important indicators of actual and potential pacer problems.

Pulse amplitude refers to the amount of voltage emitted from the pacer. Pulse width or duration refers to the length of time that the electrical impulse is emitted. Since some manufacturers have designed pacers to increase the width of the pulse as voltage drops in order to maintain the proper energy level, the detection of pacer pulse width can indicate a reduction of battery energy. Detection of pulse amplitude and change in amplitude over pulse width (slope) can reveal information concerning the leads that transmit the electrical impulse from the pacer to the heart tissue. It was also reported in the literature that pulse amplitude and width sometimes indicate the need for pulse generator replacement before any change in pacer rate occurs.

The practice of studying the amplitude, width, and slope of the pacer pulse is known as waveform analysis. The morphology or shape of the wave represents the electrical event and it is obtained by plotting voltage level with respect to time. Waveform analysis, developed for pacers in the mid-1960's was never widely accepted as a diagnostic tool for pacer follow-up. Most cardiologists in pacer follow-up relied then and still rely today on standard EKGs and pacer pulse rate, the number of pulses emitted per unit of time. More recently, however, monitoring pulse width characteristics of the waveform has become more common. By 1970, at least one type of pacer was manufactured to vary pulse width as a function of battery charge. In addition, prior to the Kennedy patent, waveform

analysis was performed as part of pacer follow-up by a few prominent cardiologists and expounded as a valuable technique in the literature. In some instances, morphology of the pacer pulses provided information regarding pacer failure that rate-only measurements could not provide.

The analysis of the pacer pulse waveform and repetition rate was initially performed solely in so-called "pacemaker follow-up clinics" utilizing "hands-on" techniques which required the physical presence of the patient at the clinic. Waveform analysis was conducted by directly connecting the patient to electronic equipment including an oscilloscope on which the pacer pulse waveform could be displayed and its various characteristics analyzed and measured. Physically traveling to a clinic for pacer follow-up analysis tended to work a hardship on the cardiac patients, who are often elderly and in poor health. The desirability of performing complete analysis of the pacer pulse without requiring the patient to physically travel to the clinic was long recognized by the researchers in the field.

In the 1960s a variety of cardiologists were performing pacer follow-up over the telephone by using devices which would transmit EKGs over phone lines. Later it became possible to transmit accurate pacer pulse rate information over the telephone. Prior to the Kennedy patent, telephonic transmission of EKG and pacer pulse rate was an accepted and common means of performing pacer follow-up.

An EKG is a slowly varying signal which can be transmitted without difficulty over the telephone as it occurs in real time. The EKG transmitters generate a tone which varies in frequency with the amplitude of the EKG signal for transmission over the telephone. Similarly, real time indications of pacer rate could be transmitted over the telephone and these techniques were widely used. Transtelephonic monitoring was made possible by devices which patients attached to their telephones at home. The patients attached electrodes to their wrists or chests and then called their doctors' offices where electronic receiving equipment accepted the signals. The result was an EKG and pacer pulse rate information without

requiring the patient to be physically present in the doctor's office. This is particularly desirable since most cardiac pacer patients are geriatric and inconvenienced by frequent trips to their doctors' offices.

These telephonic systems provided transmission of EKG and pulse rate only. None of these systems was capable of providing information regarding waveform analysis over the telephone. Therefore, the cardiologists who were performing waveform analysis were required to do this follow-up in their clinics. As late as 1972, the literature disclosed that it was generally felt by cardiologists engaged in pacer follow-up that the wide bandwidth signals of the pacer pulse waveshape data could not be transmitted over standard telephone lines. (*See, e.g.* Plaintiff's Exhibit 14 and Plaintiff's Exhibit 69-29). Dr. Escher, a cardiologist and pioneer in pace follow-up indicated a desire for telephonic transmission of waveform data but indicated that there were no electronic devices on the market that performed such transmission.

The reason that the pacer pulse *per se* cannot be transmitted through the telephone system without distortion is that the pacer pulse occurs so rapidly that the telephone system is unable to accurately transmit the pulse. The telephone system is designed for voice communications and accommodates only frequencies within the range of 300 to 3,000 Hertz. This limited band of frequencies is adequate for voice communications and transmission of slowly varying data such as an EKG. A pacemaker pulse, on the other hand has a duration of only 0.5 to 1.0 millisecond with a very steep rise time, approximately 10 microseconds.

All electrical signals can be thought of as a composite of individual signal components of different frequencies. Slowly varying electrical signals such as an EKG only contain components of low frequencies, whereas rapidly varying electrical signals, such as the pacer pulse, contain components of high frequency as well. Becasue of the short duration and steep rise time of the pacer pulse, it includes a range of frequency components greatly exceeding the range (bandwith) of frequencies

that can be accomodated by the telephone system. Accordingly, the frequency components of the pacer pulse outside of the telephone system bandwith are not transmitted, causing distortion in the transmitted signal which renders it unusable for amplitude and duration analysis.

It was not until the Kennedy invention that any system was developed or described that was capable of transmitting information relating to the waveshape of pacer pulses over the telephone.

II. DEVELOPMENT OF THE KENNEDY DEVICE

In the late 1960s, when Dr. Kennedy was working on his Ph.D. in physics at the University of Florida, he and his thesis advisor Dr. George Lebo, became interested in pacer follow-up. They formed a "handshake partnership" with another physicist with the intent of forming an organizaton to perform pacer follow-up by means of transtelephonic waveform analysis. The scientists thought that if equipment could be developed to perform waveform analysis over the telephone, such a technique would be superior to the rate-only transtelephonic monitoring that was being done at the time.

By Feburary 1971, Dr. Kennedy conceived of achieving the goal of transtelephonic waveform analysis by means of a device which could obtain characteristics of pacer waveforms, compress the bandwidth of the information and transmit the compressed characteristics over the phone line. Bandwidth compression is the process of transforming electrical signals with a wide range of frequencies into signals with a lower range of frequencies. Thus, the range of frequencies normally required to represent the information is reduced. This entails measuring the rapidly varying wideband characteristics of the pacer pulses as they occur in real time, storing more slowly varying representations of the measurements and then transmitting at lower frequencies these representations of the measurements. The frequency spectrum and therefore the bandwidth of the signal is compressed and then the signal is transmitted. Subsequent bandwidth expansion reconstructs the original signal.

This process reduces the frequency bandwidth required to transmit the data without losing information regarding the characteristics measured.

Kennedy also wished to transmit, in addition to pacer waveform data, other information related to cardiac function, such as the EKG and pulse rate which was already capable of telephonic transmission. It was neither necessary nor desirable to apply bandwidth compression to the EKG since the bandwidth of the EKG is only about 100 Hertz and therfore acceptable to the phone lines. Thus, in accordance with one aspect of the Kennedy invention, bandwidth compression is effected on selected characteristics of the pulses, and the successive output signals are sequentially gated for transmission with the uncompressed EKG and rate information.

During the first half of 1971, Dr. Kennedy began to design the electronic circuitry to achieve his goal. By June 1971, Kennedy had developed an overall schematic diagram for a waveform analysis transmitter. (Plaintiff's Exhibit 60). A prototype was then built which embodied the asserted claims of the patent in the suit. By January 1972, Kennedy was testing his equipment by comparing his waveform measurements with measurements from the same patients made by conventional techniques in a "hands on" environment. Kennedy was successful in using bandwidth compression techniques to transmit data of pulse area and amplitude together with rate and EKG information.

By May of 1972, PDC was monitoring pacer patients through telephonic waveform analysis. By 1975, the Kennedy system was mentioned in the literature as a sophisticated system for remote transmission of pacer information. (Furman article at 331. Plaintiff's Exhibit 34).

III. THE PATENT OF KENNEDY'S DEVICE

The Kennedy patent in suit was issued on May 27, 1975, upon application serial no. 307,182 filed on November 15, 1972, and is entitled "Cardiac Function Monitoring Sytem and Method for Use in Association With Cardiac Pacer Apparatus."

The Kennedy patent specification sets forth the background of pacer follow-up (column 1 to column 3), the problem of waveform transmission (column 3), the state of the art (column 3 to column 4), and a summary of the solution to the problem provided by the invention (column 4).

The specifications describe the invention as a system or method for providing information relating to a patient's cardiac functions including the pacer pulse waveshape information where each of the successive pacer pulses in the EKG are detected and selected characteristics of the pulses (width, amplitude and area) are measured. Representations of these measurements are stored as they occur and the representations are sequentially gated for transmission. The actual transmission of the pulse characteristics then occurs more slowly than real time, i.e., over periods longer than the duration of the pacer pulses. In this way the waveshape information is capable of being transmitted over normal telephone lines.

The Kennedy patent describes mechanisms for bandwidth compressing various pacer pulse waveshape parameters and transmitting them through the telephone system together with other uncompressed information related to cardiac functions, such as the EKG. The particular embodiments of the invention described in the patent provide bandwidth compressed output signals relating to pulse characteristics of area, amplitude and width. As described in the patent, these embodiments entail detecting the successive pacer pulses, measuring the amplitude, area, and width characteristics of each pulse as it occurs in real time, storing representations of the characteristics and transmitting the representations in expanded time, i.e., more slowly or over a longer period of time. The storing and transmitting steps typically involve encoding the information whereby the information is represented by different characteristics of transmitted data pulses. For example, pulse amplitude is transmitted by pulse amplitude modulation; pulse width is transmitted by pulse duration modulation.

Doctor Kennedy explained his patent claims at trial with the aid of block diagrams (Plaintiff's Exhibits 46, 47, 48, 49) that illustrate the circuitry described in the patent specifications. The diagrams show the mechanisms by which the pulse characteristics are measured, coded and bandwidth compressed for transmission. Measurements of height, area and width of a single pulse are encoded into two representation pulses, called data pulses. This is accomplished by encoding height and area of the pacer pulses as amplitudes of the data pulses and by encoding width of the pacer pulses as width of the data pulses. These two data pulses are then transmitted by frequency modulation.

Bandwith compression occurs during the coding of the pacer pulse width. The durations of the data pulses are multiplied by a factor of 100 with respect to the actual pacer pulse. Thus, the data pulses are 100 times longer than the actual pacer pulses. This is accomplished by a width multiplier which observes the width of the pacer pulse and generates an impulse which causes the hold period to be 100 times that of the actual pacer pulse width. By compressing the pulse width or duration, the frequency is reduced by a factor of 100, thus compressing the bandwidth.

Height and area characteristics are also transmitted by the means of bandwidth compression. The height and area of the pacer pulses are measured and encoded as the amplitudes of the data pulses. Bandwidth compression occurs by extending the duration of the data pulses longer than the actual pulse. A one-shot multivibrator establishes this width and then the data pulses are transmitted by frequency modulation, where the frequency modulated tone for a period equal to 100 times the period of the actual pulse is transmitted. Such a longer pulse is transmittable over conventional phone lines and therefore the problem of the pacer pulse being of short duration and high frequency, rendering it untransmittable over a conventional phone line, is overcome.

The actual transmission is effected by a voltage-controlled oscillator (VCO). The signal is frequency modulated by vol-

tages proportional to the area and height of the pacer pulses. That is, the height and area of the pulse are converted to voltages which are then used to modulate the carrier frequency for telephone transmission. The width of the modulated pulses is proportional to the width of the pacer pulse. The data pulses then pass out of the VCO and through an audio speaker which produces an audible tone for transmission over the phone lines. When the signals are demodulated at the receiving station, the information received is the cardiac paer pulse width, interval, amplitude, and area in addition to an EKG.

The above-described coding and transmitting technique is what Dr. Kennedy refers to as bandwidth compression. (See column 7 of the patent, Plaintiff's Exhibit 26). The prosecution history of the patent shows that Kennedy used the term "bandwidth compression" to describe the various embodiments of the device set forth in the patent specifications. The original application did not use the term. After the original claims were rejected by the patent office based on prior art, Kennedy amended the application to include the term "bandwidth compression" in an attempt to explain the differences between his invention and the prior art. The examiner at first objected to this terminology under 35 U.S.C. § 132 as being new matter introduced. However, the terminology was eventually entered into the application after it was shown that the term "bandwidth expansion" was merely a shorthand description of specifications described in the original application. The patent was issued after the second amendment.

IV. THE DEVELOPMENT OF THE DEFENDANT'S PRODUCTS

In 1969, the defendant Instromedix, Inc. was formed by Dr. Herbert Semler, a distinguished cardiologist with much experience in cardiac telemetry and pacemaker follow-up. Instromedix first began manufacturing and selling medical equipment which relates to monitoring, storing and transmitting a patient's EKG.

The first product developed by Instromedix was a QRStat Cardiac Sensor. This hand-held device, when applied to the patient's chest, gives an instant EKG. Instromedix obtained a patent on the QRSstat. By 1971, Instromedix was marketing a device that transmitted a real time EKG over the telephone. This device was known as the Cardio-call system. The device was a refinement of instruments manufactured by other companies that transmitted EKGs transtelephonnically.

By late 1972, Instromedix was manufacturing the Cardiotell system which was a further refinement of the Cardio-call system. In 1976, Instromedix began marketing the Pacer Tracer which was a further refinement of the Cardio-call. The Pacer Tracer is a portable hand-held device that transmits not only EKGs but also pacer pulse rate information over the telephone. Instromedix applied for a patent on the Pacer Tracer but later abandoned the application since the invention for transmitting EKG and pulse rate only had been disclosed in the prior art.

The defendant's devices did not transmit any information of the pulse waveshape, e.g. width, amplitude, or area, but only transmitted an EKG and information on the pacer pulse rate. Dr. Semler testified that at this time, he did not perceive any need to transmit pacer waveforms or pulse width over the telephone. However, in 1977, he became interested in transmitting pulse width after he received an advisory notice from a pacemaker manufacturing company which recommended measuring pulse width to indicate a frequently-occuring problem in the lead connectors of this company's pacers. The company recommended the use of an oscilloscope and electronic counter to measure pulse width. Realizing the expense of this procedure, Dr. Semler asked his engineers if the pulse width could be measured without the use of an oscilloscope. This led to the development of the MiniClinic which was a hand-held monitor to determine pulse width.

In 1978, as a logical step in the evolutionary development of defendant's products, Instromedix engineers developed the Pacer Tracer/Pulse Width transmitter (Pulse Width I) which

was a combination of the MiniClinic and the Cardio-call. The device transmitted pulse width information in addition to EKG and pulse rate information over the telephone. The Pacer Tracer/Pulse Width Two transmitter (Pulse Width II), introduced later in the same year, performed the same function as the original Pacer Tracer/Pulse Width transmitter but with greater accuracy.

V. THE DESIGN OF THE DEFENDANT'S PRODUCTS

The defendant's accused devices, the Pulse Width I and Pulse Width II, like the plaintiff's device, telephonically transmit information relating to the pulse interval (rate) and pulse width as well as the EKG. Electrodes located on the bottom of the device are placed against a patient's chest and the patient's EKG and pacer pulse are detected.

The width of the pulses are measured as they occur in real time. The measured width is represented in a standardized pulse which is then integrated to produce an output voltage proportional to the cardiac pacer pulse width. A VCO is modulated by this output voltage which produces a decrease in frequency, proportional to the pulse width. Thus, the integrator accumulates the voltage indicative of the pulse width in real time, and then transmits the measurement of this voltage as the amplitude of the data pulse. So that the data pulse may be transmitted over low frequency phone lines, the data pulse has a duration much greater than that of the pacer pulse. The width of the data pulse is from 20 to 30 milliseconds whereas the pacer pulse is at most 1.00 millisecond in duration.

The Pulse Width II is similar to the Pulse Width I except that a digital pulse train utilizes an 8-bit digital code to describe the pulse width. The code uses two frequencies; one represented by logic zero and one represented by logic one. A data pulse is produced whose width is identical to the pacer pulse width. A binary counter measures the width and outputs the binary equivalent to the number of counts that the clock registers during the duration of the pulse width. The counter output is represented by a series of logic ones and zeros. This output

modulates a VCO to produce two frequencies, each represented by either zero or one, which are then transmitted over the phone lines.

VI. INFRINGEMENT

In determining whether an accused device infringes a patent, resort must be had, in the first instance, to the words of the claims. If the accused matter falls clearly within the claim, infringement is made out and that is the end of it. *Graver Mfg. Co.* v. *Linde Co.*, 339 U.S. 605, 607 (1950); *Stearns* v. *Tinker & Rasor*, 252 F.2d 589 (9th Cir. 1957). However, even if the elements of the accused device fall outside the literal language of the claims, the court must also determine whether those elements are equivalent to the elements of the plaintiff's patent claims. *Sarkisan* v. *Winn-Proof Corp.*, No. 78-3270 slip op. at 5873 (9th Cir., Nov. 27, 1981). This determination is made by comparing the two devices. Infringement occurs if the two devices do substantially the same work in substantially the same manner and accomplish substantially the same results. *Id.*; *Del Mar Engineering Laboratories* v. *Physiotronics, Inc.*, 642 F.2d 1167, 1174 (9th Cir. 1981).

In making the first determination on the infringement issue, I find that the accused devices are outside the literal language of the claims. The Kennedy patent contains a total of 28 claims. Claims 1-21 describe various aspects of the apparatus features of different embodiments of the invention and claims 22-28 describe various aspects of the overall method of the invention. Plaintiff PDC charges Instromedix with infringement of Claims 1, 14, 16, 22 and 23.

The broadest claims are claim 1 and 22. Claim 1 of the Kennedy patent describes a system for transtelephonic transmission of coronary function data including cardiac pacer pulse information. Claim 1 specifically calls for "means responsive to cardiac pacer pulses including bandwidth compression means for producing outputs representative of selected characteristics of said cardiac pacer pulses" with the "outputs having a bandwidth substantially less than the cardiac pacer pulses."

The claim finally calls for "control means for sequentially producing gating signals for sequentially gating each of said respective outputs to said transmission means," with the "transmission means responsive to said outputs for producing output audio signals indicative respectively of each of said outputs."

Claim 22 describes the general system including means for detecting waveforms and a method for analyzing the waveforms, preserving selected characteristics, compressing the bandwidth, and transtelephonically transmitting these characteristics.

I find that the defendant's accused devices are not within the language of the claims because they do not utilize the method of bandwidth compression as the term is used in Kennedy's claims and because defendant's devices transmit only one characteristic—pulse width—whereas Kennedy's claims refer to sequentially gating several pulse characteristics.

In a combination patent, such as Kennedy's, the patent is infringed only if the accused device contains all the elements set forth in the patent's claims. *Nelson* v. *Batson*, 322 F.2d 132, 135 (9th Cir. 1963). The accused devices in this case do not contain all the elements in Kennedy's claims. The critical difference is that the Instromedix Pulse Width devices do not produce signals for sequentially gating each waveform characteristic. Sequential gating refers to the method by which the separate characteristics of height, area, and width of the pacer waveform are recorded and transmitted at the same time. In the accused Pulse Width devices, only width of the waveform of the pulse is transmitted. Therefore, unlike Kennedy's device where height, area, and width are transmitted, there is no need for sequential gating.

Another reason that the defendant's devices are outside the language of Kennedy's claims is that the accused devices do not employ the method of "bandwidth compression" in the same sense that Kennedy has used the term. There is no standard definition of bandwidth compression used in the field of elec-

trical engineering. The evidence disclosed that the *Dictionary of Electrical Terms* (1972) published by the Institute of Electrical and Electronic Engineers does not contain an entry for "bandwidth compression."

The term can be broadly defined to include any means by which the range of frequencies require to represent information is reduced to enable transmission over lower frequencies. Under such a broad definition, the accused devices would fall within the scope of the literal language of claims. However, if such a broad interpretation is placed on the term as it is used in the claims, the plaintiff's patent would be invalid because this broad usage of "bandwidth compression" has been disclosed in the prior art.

I conclude that Kennedy uses "bandwidth compression" to actually describe a method of "pulse width expansion" or "time base expansion." The defendant's devices do not employ a method of pulse width expansion and therefore are not literally within the scope of plaintiff' claims.

I interpret "bandwidth compression," as used in Kennedy's claims, narrowly, because Kennedy urged a narrow interpretation when his application was pending before the patent examiner. According to Kennedy's own testimony, his original patent application described his method as "time base expansion." When he amended the application to include the broader term "bandwidth compression," the examiner objected on the grounds that Kennedy was introducing new matter. The amendment was allowed after Kennedy convinced the examiner that the new term merely refers to the same methods in his first application, namely "time base expansion."

An additional reason for a narrow interpretation is that the specifications and drawings of Kennedy's device describe only one type of "bandwidth compression" and that is a method of pulse width expansion. Specifications and drawings may be examined to understand the scope of the cliams. *Del Mar*, *supra* at 1172. Thus, the scope of the term is narrowed by the actual specifications of Kennedy's device.

Because I find that the accused devices do not fall within the literal language of the claims, I now turn to the second step of an infringement determination and consider whether the elements of the accused devices are the equivalents of the elements set forth in claims. After comparing the devices to determine if they do substantially the same work, in substantially the same manner, to accomplish the same results, I conclude that no infringement has occurred.

It is clear that the devices do substantially the same work with substantially the same result; they both provide transtelephonic transmission of pacer pulse data. However, the manner employed by the defendant's devices is substantially different than the plaintiff's device.

In the Kennedy device, the pacer pulse width is encoded into a data pulse which has a width 100 times that of the pacer pulse width. In this way, the pulse is stretched, or slowed down. The height and area of the pacer pulse are encoded as amplitudes of the data pulses. The extended duration of the pulses allows for telephonic transmittal. The key to transmitting the data pulse in the Kennedy device is stretching the pulse width. The accused devices, however, do not employ this technique of pulse stretching. In defendant's Pulse Width I, the pulse width of the pacer pulse is not expanded in time as in the Kennedy device, but rather converted to a frequency that is directly proportional to the duration of the pulse. The actual width of the data pulse is arbitrary. In the accused devices the pacer pulse width is represented as an amplitude of the data pulse rather than as an expanded width of the data pulse as in Kennedy's device. Defendant's Pulse Width II performs similarly, but uses a digital coding technique which is also substantially different from Kennedy's pulse stretching technique.

I conclude that the accused devices do not infringe the plaintiff's claims because they do not come within the literal language of plaintiff's patent claims and because they differ substantially in the manner in which they function.

Because I find non-infringement in this action, it is unnecessary to consider plaintiff's charge that defendant's infringe-

ment was willful and deliberate. However, for completeness of the record, even if there was infringement, there is no evidence to support a finding that it was willful and deliberate. The plaintiff has alleged that Dr. Semler copied Kennedy's invention, that an employee of Dr. Semler's had access to the design circuitry of Kennedy's patent before he worked for Semler and that he somehow provided Semler with this information. There are no facts to support these allegations. The uncontradicted evidence shows that Instromedix independently, through a natural evolution of product development, produced the accused devices.

VII. VALIDITY

The starting point in the consideration of the validity of Kennedy's patent is 35 U.S.C. § 282 which provides that a patent shall be presumed valid and the burden of establishing invalidity is on the party asserting invalidity. The presumption of validity can only be rebutted by clear and convincing evidence. *Santa Fe-Pomeroy, Inc.* v. *P & Z Co., Inc.*, 569 F.2d 1084, 1091 (9th Cir. 1978)

The statutory criteria for patentability of an invention is set forth in 35 U.S.C. §§ 102 and 103. Section 102 requires that the invention be new or novel, and Section 103 requires that the invention be one which, taken as a whole, would not have been obvious at the time the invention was made to a person of ordinary skill in the art to which the invention pertains.

A. Novelty

Defendant Instromedix first contends that the Kennedy patent was not novel because it had been anticipated by the Lieboff patent, U.S. Patent No. 3,739,083, entitled "Digital Systems for Bandwidth Reduction of Video Signals." (Defendant's Exhibit 200). A patent is anticipated if it is known or used by others or described in the literature before it was disclosed by the patent applicant. 35 U.S.C. § 102(a). It is well established that anticipation under § 102 requires a single prior art reference where all of the same elements are found in exactly

the same way to perform the identical function. *Del Mar, supra* at 1172. I conclude that neither the Lieboff patent nor any of the other prior art references anticipates the Kennedy patent. None of these references discloses a system where pacer pulses are discriminated and measured and then these measurements sequentially gated and transmitted over the telephone. The Lieboff patent discloses a system for transmitting video radar information. It is incapable of transmitting pacer waveform information over telephone lines. Therefore, the Kennedy patent is novel under § 102.

B. Obviousness

35 U.S.C. § 103 sets forth the requirement of obviousness as a condition of patentability. A patent is invalid "if the differences between the subject matter sought to be patented and the prior art are such that the subject matter taken as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains."

In *Graham* v. *John Deere Co.*, 383 U.S. 1, 17 (1966), the Supreme Court set forth the analysis for determining obviousness. The court must determine (1) the scope and content of the prior art, (2) the differences between the prior art and the claims at issue, and (3) the level of ordinary skill in the pertinent art. These determinations are commonly referred to as the "Graham Findings." The analysis of the Graham Findings enables the court to determine whether the patent is distinguishable from the prior art, whether any of the elements constituting the invention are new, and whether the invention was obvious to one skilled in the art when the invention was made. *Palmer* v. *Orthokinetics, Inc.*, 611 F.2d 316 (9th Cir. 1980).

The state of the art of cardiac pacers and pacer follow-up was discussed above. In 1971, it was possible to transmit EKG and pacer rate information over the telephone. It was not known and not thought possible by cardiologists that pacer waveform characteristics could be transmitted over the phone. (*See, e.g.*,

Plaintiff's Exhibits 14 and 69-29 and the deposition of Dr. Escher). Any waveform analysis had to be performed with the patient physically present in the doctor's office.

The reactions of cardiologists, practicing and researching pacer follow-up techniques in 1971, concerning the impossibility of telephonic transmission of pacer waveform information, are persuasive evidence that the invention was not obvious. However, I determine that the scope of the art is broader than the area of medical telemetry concerned with telephonic pacer follow-up. The art not only includes the knowledge accumulated with respect to the specific problem of telephonic transmittal of pacer wave-form analysis, but also includes expertise from the general field of electrical engineering which can be employed to solve the problems of pacer telemetry. *See Geo. Meyer Manufacturing Co.* v. *San Marino Electronic Corp.*, 422 F.2d 1285, 1288 (9th Cir. 1970).

The patent examiner cited several patents and one publication as references of the prior art. The patents covered inventions which transmitted heart rate, pacer pulse rate, EKGs, and other physiological data by means of telemetry. The cited patent most similar to Kennedy's invention is Stern, U.S. Patent No. 3,742,938 entitled "Cardiac Pacer and Heart Pulse Monitor." This invention was capable of transmitting heart pulse rate and pacer pulse rate over the phone. However, neither this invention nor any of those cited by the examiner make Kennedy's invention obvious because none is capable of transmitting the waveform characteristics of a pacer pulse over the telephone system. As discussed earlier, EKG and rate-only information is capable of being transmitted over the normal bandwidth of the telephone sytem. Waveform data transmission by means of bandwidth compression is much more sophisticated. Therefore, Kennedy's device is not obvious in light of the patents cited by the examiner.

The defendant also presented at trial various references of prior art that were not cited in Kennedy's patent. Most of these references pertain to some aspect of bandwidth compression as it applies to other areas of electrical engineering. The most

relevant are Groom, U.S. Patent No. 3,473,050, entitled "Variable Pulse Width Multiplier" (Defendant's Exhibit 202); Veaux, U.S. Patent No. 2,650,949, entitled "System of Changing the Frequency Band Occupied by a Telephonic Transmission" (Defendant's Exhibit 182); Caputi, Jr., U.S. Patent No. 3,283,080, entitled "Sweep-Heterodyne Apparatus for Changing the Time-Bandwidth Product of a Signal" (Defendant's Exhibit 195); Morgan, U.S. Patent No. 3,349,184, entitled "Bandwidth Compression and Expansion by Frequency Division and Multiplication" (Defendant's Exhibit 194); and Lieboff, et al., U.S. Patent No. 3,739,083, entitled "Digital Systems for Bandwidth Reduction of Video Signals" (Defendant's Exhibit 200).

The defendant contends that the presumption of the patent's validity is vitiated because the plaintiff did not cite these prior art references before the examiner. Although it is clear that the presumption dissipates as to pertinent prior art not before the examiner, *Globe Linings, Inc.* v. *City of Corvallis*, 555 F.2d 727 (9th Cir. 1977), *cert. denied* 434 U.S. 985, the plaintiff argues that the presumption remains intact because this undisclosed prior art is merely cumulative. *Carson Mfg. Co.* v. *Carsonite Intern. Corp.*, 658 F.2d 1306, 1308-09 (9th Cir. 1981). I conclude that these references are not cumulative because they reveal the state of the prior art in bandwidth compression techniques. I have already determined that the scope of the relevant art encompasses more than cardiac pacer telemetry and theses references shed light on bandwidth compression techniques as used in other areas. I also conclude, however, that even without the presumption of validity, these prior art references do not invalidate Kennedy's patent. None of the cited patented inventions is capable of doing what Kennedy's invention does and none makes it obvious.

The Groom patent describes a pulse width multiplier which is a device capable for transmitting an electronic pulse signal by producing an output pulse width proportional to the input pulse. The concept is similar to Kennedy's in that it uses time expansion of a pulse in order to transmit the pulse width.

However, this device is less sophisticated than Kennedy's in that it has no means for sequentially gating separate height, width and area signals and is not adapted to telephonic transmittal of pacer pulse waveforms.

The Lieboff patent discloses a means by which the frequency of video signals is lowered, thus reducing the bandwidth, enabling the signals to be transmitted on a reduced bandwidth channel. Dr. Kennedy, in his testimony and through drawings, (Plaintiff's Exhibits 82, 83, 84), adequately explained the differences between Lieboff's patent and his own. The Lieboff system, adapted for transmission of radar video signals, is unsuited for pacer waveform transmission.

Lieboff's device is adapted to electronic signals represented by sine curves, whose slope varies at a much slower rate than the rapidly changing pacer pulse waveform. Using the Lieboff device to transmit pacer waveform data would result in distorted and inaccurate information. Therefore, the Lieboff patent did not disclose Kennedy's technique of bandwidth compression nor did it provide any knowledge which would make Kennedy's device obvious to one skilled in the art.

The Caputi patent is similar to Kennedy's patent in that it describes a signal translation apparatus for manipulating signals with respect to bandwidth. Like Kennedy's patent, through a method of time expansion, the bandwidth is reduced. Dr. Kennedy however, aided by his drawing (Plaintiff's Exhibit 86), explained how his method of bandwidth expansion differed. Caputi merely limits the bandwidth of the signal by "chopping off" the information at the outer frequency ranges, in order to transmit the remaining essential information within a narrower range of frequencies. This technique is unsuitable for the transmission of pacer waveform data because essential information would be lost. Therefore, Caputi neither discloses Kennedy's method nor makes it obvious.

The Veaux and Morgan patents also utilize a method of bandwidth compression by adapting high frequency signals to lower carrier frequencies. Kennedy again explained the differ-

ences illustrated by a diagram (Plaintiff's Exhibit 85), and pointed out how these devices would not work for telephonic transmission of pacer waveform data.

In summary, none of these non-cited prior patents disclose a system suitable for the telephonic transmission of waveform characteristics of the rapidly-occurring pacer pulses. Although the patents diclose different forms of bandwidth compression means, none is capable of discriminating pacer pulses, making real time measurements of the pulses, and encoding and bandwidth compressing the measurements for gated transmission over longer time intervals through the telephone system.

In addition, these diclosures of bandwidth compression techniques did not make it obvious that bandwidth compression could be used to provide telephonic transmission of the pacer waveshape data. Thus, bandwidth compression, as used in Kennedy's patent, is more than an old technique applied to a new use. I conclude that if an electrical engineer, skilled in the art of biomedical telemetry had all the defendant's prior art references before him, the Kennedy invention would not have been obvious.

Secondary considerations, such as commercial success, long felt but unsolved need and prior unsuccessful attempts, are also relevant indicia of the obviousness or nonobviousness of plaintiff's patent. *Graham*, *supra* at 17-18; *Santa Fe-Pomeroy*, *supra* at 1097-98. Although there was no evidence presented on prior unsuccessful attempts, there was evidence on commercial success and long felt need.

The evidence revealed that Kennedy's device has not met with outstanding commercial success. There were a total of 100 devices manufactured by PDC which served 1600 to 1700 patients, about 0.5 percent of the total number of pacer patients in the country. Kennedy has granted only one license on the patent. However, one aspect of Kennedy's invention—telephonic transmittal of pulse width—has gained widespread commercial acceptance. In addition to Instromedix, there are many companies producing devices that are capable of telepho-

nic transmittal of pacer pulse width information. Instromedix products performing this fuction are the company's most successful products.

In addition, the literature in the late 1960s and early 1970s disclosed a long felt need by cardiologists for transtelephonic waveform analysis. Cardiologists before Kennedy's device were limited to telephonic transmission of EKG and pulse rate information only or performing waveform analysis in the office. The deposition of Dr. Escher, as well as the literature in the field indicated the desire and need for transtelephonic waveform analysis.

The evidence did not disclose commercial success and long felt need to such a degree that these considerations would sway a finding of obviousness had the technical analysis of the prior art indicated that conclusion. I conclude, however, that the evidence of secondary considerations lean slightly on the side of nonobviousness and therefore support that determination which was based on a technical comparison of Kennedy's patent and the prior art.

C. Synergism

Finally, defendant argues that the Kennedy patent is invalid because it is a combination patent and produces no new or surprising result. Two recent Ninth Circuit cases have held that the test of synergism must be applied to combination patents. *Carson Mfg. Co.* v. *Carsonite Inter. Corp., supra; Hammerquist* v. *Clarke's Sheet Metal, Inc.*, 653 F.2d 1319 (9th Cir. 1981). "A combination patent is an invention totally composed of old elements which are combined in an unprecedented manner." *Carson, supra* at 1309. Such a patent is subject to strict scrutiny and must demonstrate some "unusual or surprising result" to warrant patentability. The rationale for heightened scrutiny is to ensure that knowledge is not withdrawn from the public domain into a protected monopoly when the invention hasn't really advanced the art. *Carson, supra* at 1309.

I share the views of the panel in *Hammerquist* which considered the test of synergism an "anomalous encrustration on 35 U.S.C. § 103 and the standard of obviousness it contains." *Hammerquist, supra* at 1323, ftnt. 7. The shortcomings of the synergism test lie in the fact that every patent is a combination patent in the sense that all inventions are combinations of old elements. *See* Markey, *Special Problems in Patent Cases*, 66 F.R.D. 529, 538-39 (1974). The test adds nothing but confusion to the obviousness analysis set forth in § 103 and *Graham* v. *John Deere, supra.* The test has been expressly discarded in some circuits but because neither the Supreme Court nor the Ninth Circuit has yet abandoned it, the panel in *Hammerquist* felt compelled to apply it and so must I.

All inventions consisting of electronic circuitry are combination patents in the sense that they are made up of discrete electronic components, such as capacitators, resisters, integrator etc., which are all old in the art. Furthermore the broader "elements" of the Kennedy patent such as means detecting pacer impulses, means producing audio signals, and means applying the concept of bandwidth compression to electronic signals are old techniques in the art. I conclude, however, that the Kennedy patent combined these elements in a new form to achieve a new and surprising result. Kennedy achieved not only what had never before been achieved, but what also had been previously thought impossible. Stated simply, Kennedy invented a means to telephonically transmit the waveform data of a pacer pulse. This invention meets the new and surprising requirments of the synergism test.

VII. ADEQUATE SPECIFICATION UNDER § 112

The defendant finally challenges the validity of the Kennedy patent on the grounds of inadequate disclosure. The defendant argues that the invention claimed is inadequately described in the patent specifications as required by 35 U.S.C. § 112. Because Kennedy does not define the term"bandwidth compression" in the patent and because this concept is the heart of the invention, defendant contends that Kennedy's claims fail to

"particularly point out and distinctly claim the subject matter which the applicant regards as his invention," as required by § 112, and therefore the patent is invalid.

I disagree with this contention. The defendant has not proved that the use of the term is misleading or that there is another narrower meaning generally accepted by electrical engineers. In addition, the drawings and specifications may be properly looked to in interpreting the claims. *Speed Shore Corp.* v. *Denda*, 605 F.2d 469, 472 (9th Cir. 1979). When the specifications and drawing are looked to, Kennedy's use of the term "bandwidth compression" is clarified. Therefore, I conclude that Kennedy's use of the term in no way violates the specificity requirements of § 112.

IX. CONCLUSION

Defendant has not met its burden of proving that U.S. Patent No. 3,885,552 is invalid. Defendant has not infringed U.S. Patent No. 3,885,552.

This opinion constitutes findings of fact and conclusions of law pursuant to Fed. R. Civ. P. 52(a).

Dated this 20 day of Jan., 1982.

GEORGE L. JUBA

United States Magistrate